

SIMON FRASER UNIVERSITY
Department of Economics

Econ 305 – INTERMEDIATE MACROECONOMIC THEORY
Syllabus – Spring 2011

Prof. Kasa
2666 West Mall
email: kkasa@sfu.ca

Office Hours: Wed. 4:30 – 5:30
Fri. 10:30 – 11:30
Phone: 782-5406

COURSE OBJECTIVES AND PREREQUISITES

This course covers most of the core topics in macroeconomics, including: national income accounting, growth theory, business cycles, theories of inflation and unemployment, and the effects of monetary and fiscal policies. Both Keynesian and Classical approaches to business cycles will be discussed. The course will also discuss theories of exchange rate determination and explore the effects of international capital flows and trade imbalances.

The only prerequisites for the course are previous courses in introductory microeconomics and macroeconomics (Econ 103 and 105) and a calculus course (Econ 157 or equivalent). Although calculus will not be heavily used, much of the material is analytical in nature, and students should feel comfortable manipulating graphs and simple algebraic equations.

COURSE STRUCTURE

Roughly speaking, the course is divided into three main parts. The first part focuses on economic growth, the second part focuses on business cycles, and the third part focuses on macroeconomic policy. The hope is that the theory you learn in the first two parts will help provide better answers to the policy questions discussed in the third part.

COURSE EVALUATION

	<u>Weight in Grade</u>
Problem Sets	– 20%
Midterm exam (Wednesday, February 23)	– 40%
Final exam (Saturday, April 23)	– 40%

The best way to learn macroeconomics is to do it. Therefore, an important part of this course are the section meetings and problem sets. There are five TAs for the course: Noor Zannat (nzannat@sfu.ca), Bianjun Xia (bxia@sfu.ca), Matthew Lewis (mg18@sfu.ca), Yang Wang (ywa81@sfu.ca), and Larry Chang (larryc@sfu.ca). The problem sets are available as PDF files on the class webpage (at www.sfu.ca/~kkasa/). (Note: There are no tutorials during the first week).

COURSE MATERIALS

There is one required book for this course: *Macroeconomics*, by Stephen Williamson (3rd Canadian Edition, 2009) published by Addison-Wesley. There are also a few journal articles and supplementary notes that will be available for download on the course webpage.

The text is available at the campus bookstore and on reserve at the library.

COURSE OUTLINE AND READINGS

I. BACKGROUND AND OVERVIEW

- Jan. 7 – **Introduction and Overview**
Williamson, Chapter 1
- Jan. 12 – **National Income Accounting**
Williamson, Chapter 2
Krugman, “How Did Economists Get It So Wrong?” (webpage)
Lucas, “In Defense of the Dismal Science” (webpage)

II. A STATIC (ONE-PERIOD) MODEL OF THE ECONOMY

- Jan. 14 – **Labor Supply**
Williamson, Chapter 4 (pgs. 88-107)
Prescott (2004), “Why Do Americans Work So Much More Than Europeans?” (webpage)
- Jan. 19 – **Labor Demand**
Williamson, Chapter 4 (pgs. 107-121)
- Jan. 21 – **Competitive Equilibrium and Comparative Statics**
Williamson, Chapter 5

III. ECONOMIC GROWTH

- Jan. 26 – **Growth Facts and the Malthusian Model**
Williamson, Chapter 6 (pgs. 168-183)
- Jan. 28 – **The Solow Growth Model**
Williamson, Chapter 6 (pgs. 183-206)
- Feb. 2 – **Extensions of the Solow Growth Model**
Class Notes
Problem Set 1 due in class
- Feb. 4 – **Endogenous Growth**
Williamson, Chapter 7

IV. A DYNAMIC (TWO-PERIOD) MODEL OF THE ECONOMY

- Feb. 9 – **Consumption and Saving**
Williamson, Chapter 8
- Feb. 11 – **Investment**
Williamson, Chapter 9
Problem Set 2 due in class
- Feb. 16-18 – **No Class (Spring Break)**

Feb. 23 – **Midterm Exam (Closed Book)**

V. MONEY AND BUSINESS CYCLES

Feb. 25 – **Money and Inflation**
Williamson, Chapter 10

March 2 – **Measuring Business Cycles**
Williamson, Chapter 3

March 4 – **Market-Clearing Business Cycle Models**
Williamson, Chapter 11

March 9 – **Keynesian Business Cycle Models**
Williamson, Chapter 12

VI. OPEN-ECONOMY MACROECONOMICS

March 11 – **International Trade and Capital Flows**
Williamson, Chapter 13

March 16 – **Money and Exchange Rates with Flexible Prices**
Williamson, Chapter 14

March 18 – **IS-LM in Open Economies: The Mundell-Fleming Model**
Class Notes

VII. FINANCIAL MARKETS, UNEMPLOYMENT, AND MACROECONOMIC POLICY

March 23 – **Money and Financial Intermediation**
Williamson, Chapter 15
Problem Set 3 due in class

March 25 – **Discussion of the Recent Financial Crisis**
Class Notes

March 30 – **Search and Unemployment**
Williamson, Chapter 16

April 1 – **The Phillips Curve**
Williamson, Chapter 17

April 6 – **Monetary Policy**
Friedman (1968), “The Role of Monetary Policy” (webpage)

April 8 – **Rules vs. Discretion**
Class Notes
Problem Set 4 due in class