

SIMON FRASER UNIVERSITY  
Department of Economics

Econ 305 – INTERMEDIATE MACROECONOMIC THEORY  
Syllabus – Spring 2012

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Office Hours: Wed. 3:00 – 4:00  
Fri. 3:00 – 4:00  
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### 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 ( <b>Wednesday, February 22</b> )	– 40%
Final exam ( <b>Monday, April 23</b> )	– 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 six TAs for the course: Noor Zannat ([nzannat@sfu.ca](mailto:nzannat@sfu.ca)), Tenzin Yindok ([tyindok@sfu.ca](mailto:tyindok@sfu.ca)), Matthew Lewis ([mgl8@sfu.ca](mailto:mgl8@sfu.ca)), Corneliu Bolbocean ([cba23@sfu.ca](mailto:cba23@sfu.ca)), Kenneth Lam ([klam@sfu.ca](mailto:klam@sfu.ca)), and Mohammad Zanganeh ([mzangane@sfu.ca](mailto:mzangane@sfu.ca)). The problem sets are available as PDF files on the class webpage (at [www.sfu.ca/~kkasa/](http://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. 6 - **Introduction and Overview**  
Williamson, Chapter 1
- Jan. 11 - **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. 13 - **Labor Supply**  
Williamson, Chapter 4 (pgs. 88-107)  
Prescott (2004), "Why Do Americans Work So Much More Than Europeans?" (webpage)
- Jan. 18 - **Labor Demand**  
Williamson, Chapter 4 (pgs. 107-121)
- Jan. 20 - **Competitive Equilibrium and Comparative Statics**  
Williamson, Chapter 5

### III. ECONOMIC GROWTH

- Jan. 25 - **Growth Facts and the Malthusian Model**  
Williamson, Chapter 6 (pgs. 168-183)
- Jan. 27 - **The Solow Growth Model**  
Williamson, Chapter 6 (pgs. 183-206)
- Feb. 1 - **Extensions of the Solow Growth Model**  
Class Notes  
Problem Set 1 due in class
- Feb. 3 - **Endogenous Growth**  
Williamson, Chapter 7

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

- Feb. 8 - **Consumption and Saving**  
Williamson, Chapter 8
- Feb. 10 - **Investment**  
Williamson, Chapter 9  
Problem Set 2 due in class
- Feb. 13-17 - **No Class (Spring Break)**

Feb. 22 – Midterm Exam (Closed Book)

## V. MONEY AND BUSINESS CYCLES

Feb. 24 – Money and Inflation  
Williamson, Chapter 10

Feb. 29 – Measuring Business Cycles  
Williamson, Chapter 3

March 2 – Market-Clearing Business Cycle Models  
Williamson, Chapter 11

March 7 – Keynesian Business Cycle Models  
Williamson, Chapter 12

## VI. OPEN-ECONOMY MACROECONOMICS

March 9 – International Trade and Capital Flows  
Williamson, Chapter 13

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

March 16 – IS-LM in Open Economies: The Mundell-Fleming Model  
Class Notes

## VII. FINANCIAL MARKETS, UNEMPLOYMENT, AND MACROECONOMIC POLICY

March 21 – Money and Financial Intermediation  
Williamson, Chapter 15  
Problem Set 3 due in class

March 23 – Discussion of the Recent Financial Crisis  
Class Notes

March 28 – Search and Unemployment  
Williamson, Chapter 16

March 30 – The Phillips Curve  
Williamson, Chapter 17

April 4 – Monetary Policy  
Friedman (1968), “The Role of Monetary Policy” (webpage)

April 11 – Rules vs. Discretion  
Class Notes  
Problem Set 4 due in class