

SIMON FRASER UNIVERSITY
Department of Economics

Econ 305 – INTERMEDIATE MACROECONOMIC THEORY
Syllabus – Spring 2021

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Office Hours: Wed. 4:30 – 5:30
Thu. 4:30 – 5:30
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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. At the end of the course we will briefly discuss recent work on the macroeconomics of pandemics.

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 (Friday, Feb. 26)	– 40%
Final exam (TBA)	– 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 two TAs for the course: Marieh Azizirad (mazizira@sfu.ca) and Zhen Huang (zhenh@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 (6th Canadian Edition, 2018) published by Pearson. There are also a few journal articles and supplementary notes that will be available for download on the course webpage.

The text is available online (through the bookstore) and on reserve at the library.

COURSE OUTLINE AND READINGS

I. BACKGROUND AND OVERVIEW

- Jan. 13 – **Introduction and Overview**
Williamson, Chapter 1
- Jan. 15 – **National Income Accounting**
Williamson, Chapter 2

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

- Jan. 20 – **Labor Supply**
Williamson, Chapter 4 (pgs. 98-122)
Prescott (2004), “Why Do Americans Work So Much More Than Europeans?” (webpage)
- Jan. 22 – **Labor Demand**
Williamson, Chapter 4 (pgs. 122-136)
- Jan. 27 – **Competitive Equilibrium and Comparative Statics**
Williamson, Chapter 5

III. UNEMPLOYMENT

- Jan. 29 – **The Mortensen-Pissarides Model**
Williamson, Chapter 6

IV. ECONOMIC GROWTH

- Feb. 3 – **Growth Facts and the Malthusian Model**
Williamson, Chapter 7 (pgs. 232-249)
- Feb. 5 – **The Solow Growth Model**
Williamson, Chapter 7 (pgs. 249-276)
Problem Set 1 due in class
- Feb. 10 – **Extensions of the Solow Growth Model**
Class Notes
- Feb. 12 – **Endogenous Growth**
Williamson, Chapter 8
- Feb. 17,19 – **Reading Week (No Class)**

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

- Feb. 24 – **Consumption and Saving**
Williamson, Chapter 9

Feb. 26 – **Midterm Exam (On Canvas - Open Book)**

March 3 – **Investment**
Williamson, Chapter 11
Problem Set 2 due in class

VI. MONEY AND BUSINESS CYCLES

March 5 – **Money and Inflation**
Williamson, Chapter 12

March 10 – **Measuring Business Cycles**
Williamson, Chapter 3

March 12 – **Market-Clearing Business Cycle Models**
Williamson, Chapter 13

March 17 – **Keynesian Business Cycle Models**
Williamson, Chapter 14

VII. OPEN-ECONOMY MACROECONOMICS

March 19 – **International Trade and Capital Flows**
Williamson, Chapter 16

March 24 – **Money and Exchange Rates with Flexible Prices**
Williamson, Chapter 17

March 26 – **IS-LM in Open Economies: The Mundell-Fleming Model**
Class Notes

VIII. FINANCIAL MARKETS AND MACROECONOMIC POLICY

March 31 – **Money and Financial Intermediation**
Williamson, Chapter 18
Problem Set 3 due in class

April 2 – **Holiday. (No Class)**

April 7 – **Discussion of the 2008 Financial Crisis**
Williamson, Chapter 10 (Class Notes)

April 9 – **The Phillips Curve & Monetary Policy**
Williamson, Chapter 15

April 14, 16 – **The Macroeconomics of Pandemics**
Avery et. al. (2020), “An Economist’s Guide to Epidemiology Models...” (webpage)
Class Notes, Problem Set 4 due in class