

SIMON FRASER UNIVERSITY
Department of Economics

Econ 305 – INTERMEDIATE MACROECONOMIC THEORY
Syllabus – Fall 2015

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Office Hours: Tue. 3:00 – 4:00
Fri. 2:30 – 3:30
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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.

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 (Thursday, October 15)	– 40%
Final exam (Monday, December 14)	– 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: Xiaowen Lei (xla100@sfu.ca) and Kevin Chen (haiyunc@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 (4th Canadian Edition, 2013) 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 at the campus bookstore and on reserve at the library.

COURSE OUTLINE AND READINGS

I. BACKGROUND AND OVERVIEW

- Sept. 8 – **Introduction and Overview**
Williamson, Chapter 1
- Sept. 10 – **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

- Sept. 15 – **Labor Supply**
Williamson, Chapter 4 (pgs. 90-109)
Prescott (2004), “Why Do Americans Work So Much More Than Europeans?” (webpage)
- Sept. 17 – **Labor Demand**
Williamson, Chapter 4 (pgs. 110-125)
- Sept. 22 – **Competitive Equilibrium and Comparative Statics**
Williamson, Chapter 5

III. UNEMPLOYMENT

- Sept. 24 – **The Mortensen-Pissarides Model**
Williamson, Chapter 6

IV. ECONOMIC GROWTH

- Sept. 29 – **Growth Facts and the Malthusian Model**
Williamson, Chapter 7 (pgs. 204-219)
- Oct. 1 – **The Solow Growth Model**
Williamson, Chapter 7 (pgs. 219-246)
Problem Set 1 due in class
- Oct. 6 – **Extensions of the Solow Growth Model**
Class Notes
- Oct. 8 – **Endogenous Growth**
Williamson, Chapter 8
- Oct. 13 – **Buffer/Midterm Review**
- Oct. 15 – **Midterm Exam (Closed Book)**

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

- Oct. 20 – **Consumption and Saving**
Williamson, Chapter 9
- Oct. 22 – **Investment**
Williamson, Chapter 11
Problem Set 2 due in class

VI. MONEY AND BUSINESS CYCLES

- Oct. 27 – **Money and Inflation**
Williamson, Chapter 12
- Oct. 29 – **Measuring Business Cycles**
Williamson, Chapter 3
- Nov. 3 – **Market-Clearing Business Cycle Models**
Williamson, Chapter 13
- Nov. 5 – **Keynesian Business Cycle Models**
Williamson, Chapter 14

VII. OPEN-ECONOMY MACROECONOMICS

- Nov. 10 – **International Trade and Capital Flows**
Williamson, Chapter 15
- Nov. 12 – **Money and Exchange Rates with Flexible Prices**
Williamson, Chapter 16
- Nov. 17 – **IS-LM in Open Economies: The Mundell-Fleming Model**
Class Notes

VIII. FINANCIAL MARKETS AND MACROECONOMIC POLICY

- Nov. 19 – **Money and Financial Intermediation**
Williamson, Chapter 17
Problem Set 3 due in class
- Nov. 24 – **Discussion of the Recent Financial Crisis**
Williamson, Chapter 10 (Class Notes)
- Nov. 26 – **The Phillips Curve**
Williamson, Chapter 18
- Dec. 1 – **Monetary Policy**
Friedman (1968), “The Role of Monetary Policy” (webpage)
- Dec. 3 – **Rules vs. Discretion**
Class Notes, Problem Set 4 due in class