

Intermediate Macroeconomics – Economics 2201  
Dalhousie University, Winter 2012

	<b>Lectures</b>	<b>Tutorials</b>
Time:	Monday, Wednesday, Friday 11:35–12:25	Wednesday 15:35–16:25
Place:	LSC C338	LSC C332
Instructor:	Talan İşcan	Yuxin Chen
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Office hours:	Monday 14:00–16:00, Friday 10:30–11:30	
Course web page:	<a href="http://myweb.dal.ca/tiscan/">http://myweb.dal.ca/tiscan/</a>	

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### Description and approach taken

The objective of this course is to form a foundation to analyze and critically think about current macroeconomic policy issues. Within macroeconomics there are essentially two (interrelated) core areas: macroeconomic fluctuations and economic growth. The main focus of these lectures is the causes and consequences of macroeconomic fluctuations in terms of real income, employment and the general price level in industrial countries (with a focus on Canada), and what macroeconomic policy can do to mitigate the risks associated with macroeconomic fluctuations.

Macroeconomics studies the interrelatedness of markets in the global economy, and informs the debate on the design of fiscal and monetary policies to achieve socially desirable goals. Macroeconomic analysis can, however, be abstract and stylized (in order to isolate the gist of a complex issue). Lectures will therefore motivate the theoretical models presented in the textbook within historical and contemporary contexts. And, I hope, at the end of the semester, you will share some (or all) of my enthusiasm toward this subject.

### Accessibility

Students may request accommodation due to barriers related to disability, religious obligation, or any characteristic under the Nova Scotia Human Rights Act. Students who require academic accommodation for either classroom participation or the writing of exams should make their request to the Office of Student Accessibility and Accommodation prior to or at the beginning of each academic term. Please see [www.studentaccessibility.dal.ca](http://www.studentaccessibility.dal.ca) for more information and to obtain Form A - Request for Accommodation.

### Academic Integrity

At Dalhousie University, we respect the values of academic integrity: honesty, trust, fairness, responsibility, and respect. As a student, adherence to the values of academic integrity and related policies is a requirement of being part of the academic community at Dalhousie University. Violations of intellectual honesty are offensive to the broader academic community. I encourage you to read and understand policies on academic integrity at Dalhousie (<http://academicintegrity.dal.ca/Policies/>) and at the Economics Department (<http://myweb.dal.ca/tiscan/courses/e2201/>).

Concerning the assignments in this course, while discussion with your fellow students is valuable, do **not** submit an assignment or essay that is essentially identical to an assignment submitted by another individual.

### Course Material

*Textbook.* Olivier Blanchard, David Johnson. Macroeconomics. 4th edition. Pearson.

*Lecture presentations and required readings.* I post my lecture presentations on the course web page. (Lecture presentations are **not** substitutes for lectures.) There are several required readings outside the textbook, and they are also available through the course web page.

## Requirements

*Introductory macroeconomics.* Econ 1102 or equivalent with a minimum C– grade. Knowledge of basic algebra.

*Attendance and independent learning.* Attendance to lectures *and* tutorials is a requirement. Lectures will include discussion, data and material that are not included in your textbook. At the same time, lectures will not necessarily cover all the required readings from the textbook.

*Assignments.* Assignments consist of end-of-chapter questions, which are listed in the course outline below. Assignments are due at the beginning of the designated tutorials and will be collected by the TA (please hand in your assignments; do not email them, drop them in mail boxes, etc.). We will not accept late assignments. Each assignment will have two questions. You must answer both questions on the assignment, and show your work clearly. The answers must reflect your own cognitive effort and work. We will mark one randomly chosen question out of the two assigned questions on each assignment.

*Tutorials.* The tutorials will reinforce learning through conceptual and numerical assignment and discussion questions, which are also listed in the course outline. Work on these questions before attending the tutorials. The TA will distribute back the marked assignments and exams during the tutorials.

## Learning and evaluation

*Active learning.* Be prepared for effortful cognitive work beyond knowledge and comprehension, and recognize the fact that this course sits on a higher cognitive ladder than an introductory course. For effective learning, reconstruct and paraphrase the arguments presented in the textbook and lectures. Passive reading will not in general be sufficient to obtain a satisfactory mark on an exam.

*Evaluation.* Exams and assignments will evaluate your knowledge, comprehension, application, and analysis of the material learned in this course. These include:

1. Problem-solving skills, model based reasoning, and application of macroeconomic knowledge to situations that are different from those presented in class.
2. Evaluating the validity of an argument, and disentangling cause from effect.
3. Writing short essays to analyze, evaluate and discuss issues.

## Method of evaluation and grading

There will be eight (8) assignments, two (2) midterm exams, and a final exam. Midterms are scheduled for 30 January and 9 March, and they will be held in class. (Only students with a valid medical or official excuse will be granted a makeup.) The date, time, and place of the final exam will be determined by the Registrar's Office. The exams will cover all the material from the lectures, assignments, and required readings. Each assignment is equally weighted, and assignments account for 20 percent of the final grade. Each midterm exam accounts for 25 percent of the final grade and the final exam accounts for the remaining 30 percent of the grade. The assignment questions and relevant end-of-chapter exercises in the textbook are indicative of the exam questions (I will not distribute practice exams). To pass the course, at least a D letter grade average on the exams is required.

The correspondence between the total mark and the final letter grade is as follows.

<u>Grade</u>	<u>Letter</u>	<u>Grade</u>	<u>Letter</u>	<u>Grade</u>	<u>Letter</u>	<u>Grade</u>	<u>Letter</u>
90–100	A+	75–79.9	B+	62–64.9	C+	50–54.9	D+
85–89.9	A	70–74.9	B	58–61.9	C	< 50	F
80–84.9	A–	65–69.9	B–	55–57.9	C–		

## Organization

Lectures are organized around the following topics:

1. Introduction: 2 lectures
2. The goods market and the demand side of income determination: 3 lectures
3. Money and bond markets: 2 lecture
4. The basic  $IS-LM$  model: 4 lectures
5. The open economy  $IS-LM$  model: 4 lectures
6. The labour market: 3 lectures
7. The goods market, money market, and labour market: 5 lectures
8. Asset prices: 3 lectures
9. Forward looking decisions: consumption and saving: 3 lectures
10. Macroeconomic policy: 6 lectures

## Course Outline and Required Readings

Tutorials and assignments are indicated in italics.

### Week 1. Introduction; national income and product accounts

- 4 January: Discussion of the course requirements and content.
- 4 January: *No tutorial.*
- 6 January: Today's macroeconomic landscape (Guest lecturer: Professor Daniel de Munnik from Bank of Canada and Dalhousie University). Chapters 1, 2, Appendix 1.

### Week 2. The demand side of income determination

- 9 January: Aggregate expenditure model. Sections 3.1–3.2.
- 11 January: Dynamic adjustment process. Section 3.3.
- 11 January: *Assignment 1: chapter 2, question 10, and chapter 3, question 4.* (See course web page for the data link.)
- 13 January: Investment–savings equality in closed and open economies. Sections 3.4–3.5.

### Week 3. The goods market and the money market

- 16 January: The demand for money. Section 4.1.
- 18 January: The supply of money. Section 4.2. Brunnermeier (2009).
- 18 January: *Assignment 2: chapter 4, questions 3 and 5.*
- 20 January: Goods market equilibrium and the IS relation. Section 5.1.

### Week 4. The basic IS–LM model

- 23 January: Money market equilibrium and the LM relation Section 5.2.
- 25 January: Equilibrium in the basic IS–LM model. Section 5.3.
- 25 January: *Assignment 3: chapter 5, questions 3 and 4.*
- 27 January: Evidence on the basic IS–LM model. Sections 5.4 and 5.6.

### Week 5. Open economy macroeconomics I

- 30 January: Exam 1.
- 1 February: Nominal and real exchange rates, uncovered interest parity condition. Chapter 6.
- 1 February: *No tutorial.*
- 3 February: Munroe day; no class.

### Week 6. Open economy macroeconomics II

- 6 February: Aggregate demand and the IS-relation in the open economy. Sections 7.1–7.4.
- 8 February: The IS-, LM- and interest-parity relations. Sections 8.1–8.3.
- 8 February: *Assignment 4: chapter 6, questions 3 and 5.*
- 10 February: Policy under floating exchange rate regime. Section 8.4.

### Week 7. The labour market

- 13 February: The labour market and unemployment. Sections 9.1–9.2. (See the link from the course web page to “the interactive graph of unemployment rates in Canada.”)

- 15 February: Wages and bargaining. Section 9.3.
- 15 February: *Assignment 5: chapter 7, question 4; chapter 8, question 4.*
- 17 February: The labour market and unemployment: wages and bargaining. Sections 9.4–9.6.

## 20 February – 24 February: Study Break

### Week 8. Equilibrium in the goods market, money market, and labour market

- 27 February: Labour market equilibrium and aggregate supply (AS). Section 10.1.
- 29 February: Goods and financial markets equilibria and aggregate demand (AD). Section 10.2.
- 29 February: *Assignment 6: chapter 9, questions 3 and 7.*
- 2 March: Equilibrium in the AD-AS model. Section 10.3.

### Week 9. Shocks and propagation mechanisms

- 5 March: Demand-side shocks. Sections 10.4–10.5.
- 7 March: Supply-side shocks. Sections 10.6.
- 7 March: *Discussion: chapter 10, questions 1–4 and 6.*
- 9 March: Exam 2.

### Week 10. Forward looking decisions: asset prices

- 12 March: Present discounted value calculations. Sections 18.1–18.4, Chapter 18 Appendix: Deriving the expected present discounted value using real or nominal interest rates.
- 14 March: The yield curve. Section 19.1.
- 14 March: *Assignment 7: chapter 18, question 6; chapter 19, question 5.*
- 16 March: Stock and house prices. Sections 19.2–19.4.

### Week 11. Forward looking decisions: consumption, investment and saving

- 19 March: Consumption demand. Section 20.1, and Chapter 20, Appendix A.
- 21 March: Saving and investment demand. Sections 20.2–20.3 (read selectively).
- 21 March: *Assignment 8: chapter 19, question 3; chapter 20, question 2.*
- 23 March: Expectations: the two-period IS–LM model. Section 21.1.

### Week 12. Monetary policy

- 26 March: Monetary policy transmission mechanisms. Chapter 25.
- 28 March: Monetary policy transmission mechanisms.
- 28 March: *Discussion: chapter 20, questions 4 and 5*
- 30 March: Monetary policy in action: inflation, output growth, and unemployment. Chapter 11, Sections 12.1–12.3, 12.5.

### Week 13. Fiscal policy

- 2 April: Debts and deficits. Section 26.1.
- 4 April: Recessions, depressions, and macroeconomic policy. Chapter 22.
- 4 April: *Discussion: chapter 21, question 2c,,d,e; chapter 25, question 4; chapter 26, question 2.*