McMaster University, Department of Economics, ECON2H03 C03

ECON 2H03 - Intermediate Macroeconomics I
Fall 2018

Course Outline

• **Instructor:** Anastasios Papanastasiou, Ph.D.

• **Office hours:** Wed 2-3pm and by appointment.

• **Lectures:** Tuesday 7-10PM; MDCL 1110

• **Office:** KTH 434

• Office Phone: 905-525-9140, ext. 24593

• **e-mail:** papanasa@mcmaster.ca
  
  – Please use your McMaster email account and include the course number in your emails.

*It is your responsibility as a student to be aware of and to abide by the University’s policies regarding academic misconduct, e-mail communication, maintaining copies of out-of-class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:* [https://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicIntegrity.pdf](https://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicIntegrity.pdf) and [http://academiccalendars.romcmaster.ca/index.php](http://academiccalendars.romcmaster.ca/index.php).

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Course Description

Econ 2H03 develops intermediate-level tools in Macroeconomic modelling. We start with a brief overview of the history of macroeconomic thought, identify key macroeconomic variables and discuss measurement issues. Theories of macroeconomic fluctuations in the short-run are presented next, in the context of the standard IS-LM model for closed and open economies, with an emphasis on the usefulness of the models for analyzing policy effects on the components of aggregate demand and output. We then develop a dynamic model to examine these effects over time and the role of aggregate supply. We conclude by interpreting our results in the context of the historical data, identifying limitations in our theories, and a discussion of economic growth over even greater periods of time.

Prerequisites

- ECON 1BB3 (or ARTS&SCI 2E03)
- MATH 1K03 (or equivalent)

Optional: Registration in MATH 1F03 or MATH 1M03 concurrently with 2H03 is recommended.

Course Objectives

By the end of the course students should be able to:

1. use the static IS-LM model to analyze the macroeconomic effects of fiscal and monetary policy in the short run.
2. use the dynamic AS-AD model to analyze policy effects in the short run and in the medium run.
3. explain the assumptions and results in the aforementioned models; use economic thinking to justify as well as question the assumptions; use basic calculus to solve the models; provide the economic intuition behind the models’ results.

Class Format

The lecture presentations will include handwritten notes and slides. You are encouraged to take notes during the lectures, but your primary focus should be understanding the lecture material - this will minimize the amount of time you have to study at home to do well in the course. Although in-class participation is not part of the formal evaluation, you are strongly encouraged to participate in our discussions during the lectures, and much of the focus of the lectures, and consequently the focus of the exams, will be based on questions raised...
and concepts that were given special emphasis in class. You are responsible for all material presented in the lectures whether you choose to attend lectures or not.

**Course Materials and Texts**
- Primary Materials: See under *Content* in the Avenue-to-Learn website for this course.
  - Copies of the primary textbook have been put on reserve at Mills library.
- Alternative Textbooks: you can use any intermediate macroeconomics textbook but you are responsible for focusing on the *material that we cover in class*.

**Avenue to Learn**

Most of the material required for this course will be distributed through the avenue-to-learn (A2L) website for our course. The course will appear in your A2L homepage a few days after you’ve registered for the course in Mosaic, but not before the beginning of the academic semester. You are responsible for monitoring the “Announcements” tab in Avenue on a daily basis, as well as the “Content” tab. You are also responsible for using A2L to submit your assignments before the posted deadlines. Be sure to regularly check your A2L “Calendar” and the reminders given out under “Announcements” to plan ahead accordingly.

**Course Evaluation - Overview**

<table>
<thead>
<tr>
<th>Component</th>
<th>Date</th>
<th>Weight (% of final grade)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm 1</td>
<td>Oct 2</td>
<td>25%</td>
</tr>
<tr>
<td>Midterm 2</td>
<td>Nov 6</td>
<td>25%</td>
</tr>
<tr>
<td>Quizzes</td>
<td>Due Monday - Weekly</td>
<td>10%</td>
</tr>
<tr>
<td><em>Total Term Work</em></td>
<td></td>
<td><em>60%</em></td>
</tr>
<tr>
<td>Final Exam</td>
<td>TBA</td>
<td><em>40%</em></td>
</tr>
</tbody>
</table>

**Course Evaluation - Details**

- Assignments: The format of the online quizzes will be multiple choice questions. See the course schedule below for due dates and coverage.
- Midterms: The format of the midterms will include multiple choice questions as well as short answer questions. No make-up exams and no early writes are provided. Midterm grades will be posted on Avenue.
- The format of the final exam will be similar to the format of the midterms. The final exam will be **cumulative**. Your final grades will be released by the Registrar’s office. Please click [here](https://example.com) for details. The Deferred Exam Policy can be found [here](https://example.com)

**Important Notes:**
1. If your performance on the final exam is better than your term work average, the weights will be shifted to 40% for term work and 60% for the final examination.
   - **Warning**: Do not become complacent because of this opportunity. Falling behind makes it difficult to do well at all in the course.

2. It is your responsibility to check the Avenue-to-Learn website on a daily basis to keep up with the course (news announcements, lecture slides, deadlines for assignments etc.)

3. The final exam will be comprehensive and based on the entire course.

4. You are strongly encouraged to participate in the lectures.

5. While there is no golden rule, if you are pursuing an A+ in this course you might find the following recommendations useful:
   a. Attend all lectures. Doing so will help you economize on self-study time and prepare for the exams: If a concept was not discussed in class, it will not be in the exams!
   b. Read **and work through** the models and applications that we do in class and everything that is posted on **Avenue-to-Learn**.
   c. Keep up with the lectures. Catch up if you miss a lecture or a homework assignment as soon as possible and monitor the course on Avenue on a daily basis. Do not postpone studying until the exam period!

### Course Policies

- **Grades Scale**: Based on McMaster University scale: for more information, please visit [https://registrar.mcmaster.ca/exams/grades/](https://registrar.mcmaster.ca/exams/grades/)

- **Missing Quizzes or Tests**: There are no alternative dates to write the exams or the online quizzes.

- **Absences, Missed Work, Illness (MSAF)**: Please note the MSAF regulations have changed beginning Spring/Summer 2015:
   - The timeframe within which the MSAF is valid has been reduced from 5 days to 3 days.
   - The upper limit for when an MSAF can be submitted has been reduced from ‘less than 30%’ to ‘less than 25%’ of the course weight (i.e., 24% and less)
   - Since the weight of the midterms is 25%, students who miss a midterm are directed to take their documentation to their faculty’s associate dean’s office. They will be given permission to use a “special” MSAF where they can correctly fill in the weight of the missed test.
   - Once I receive the MSAF with the correct weights the weight of the missed midterm will be shifted to the final examination.
• **Where to Get Help:** If you find that your difficulties in this course are too great you are encouraged to discuss them with the instructor as early in the semester as possible. If something is unclear, ask for clarification in advance not just the day before the exam!

**University Policies**

• **Academic Accommodation for Religious, Indigenous and Spiritual Observances:** Students who require academic accommodation due to an Observance must submit a RISO form to their Faculty office, electronically or in person, normally within ten working days from the beginning of each term in which they are anticipating a need for Accommodation. For further information, consult McMaster University’s Policy on Academic Accommodation for Religious, Indigenous and Spiritual Observances.

• **Academic Accommodation of Students with Disabilities:** Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements. Academic accommodations must be arranged before classes or academic work begins, and for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University’s Policy for Academic Accommodation of Students with Disabilities.

• **Course Modification:** The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check his/her McMaster email and course websites weekly during the term and to note any changes.

• **Faculty of Social Sciences E-mail Communication Policy:** Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student’s own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student’s responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.

**Course Schedule**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Chapter in text</th>
<th>Quiz due by (11:30pm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction and Measurement</td>
<td>1, 2</td>
<td>Sep 10</td>
</tr>
<tr>
<td>2. The Goods Market</td>
<td>3</td>
<td>Sep 17</td>
</tr>
<tr>
<td>3. Financial Markets</td>
<td>4</td>
<td>Sep 24</td>
</tr>
</tbody>
</table>

M1. Midterm 1 1-5 -


6. The Goods Market in an Open Economy 7 Oct 29

7. Output, the Interest Rate and the Exchange Rate 8 Nov 5

M2. Midterm 2 6-8 -

8. The Labor Market 9 Nov 19

9. The AS-AD Model, The Basics 10 Nov 26

10. The AS-AD Model, Liquidity Traps and Supply Shocks 11 Dec 2

11. The Phillips Curve, the Natural Rate of Unemployment and Inflation 12

F. Final Exam Comprehensive

Other Notes

- **Students Writing with SAS**: Students registered with SAS must book time to write the midterm tests with SAS. You may only write on the same day as the rest of the class. Tests written on any other day will not be accepted and a grade of zero will be assigned.

- **Classroom Protocols**: The highest level of courtesy and professional behavior is expected from every student. Be punctual and turn off all audible ringers on all devices during class. As a courtesy to the custodial staff, if you have coffee, water, etc., please dispose of your garbage when you leave the classroom.