

# McMaster University, Department of Economics

## *ECON 2H03 - Intermediate Macroeconomics I*

*Spring 2018*

### Course Outline

- Instructor: Anastasios Papanastasiou, Ph.D.
- Office hours: Monday 2:00-3 pm and by appointment.
- 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 or name in the subject heading of any email you send me.

*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: <http://www.mcmaster.ca/academicintegrity/students/> and <http://academiccalendars.romcmaster.ca/index.php>.*

### Lectures

- 10am-1pm Mon/Wed - LRW 1055

### 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. We then turn to the discussion of theories of macroeconomic fluctuations in the short-run in the context of the standard IS-LM model for closed and open economies. Next, we develop a medium-run model to examine the macroeconomic effects of shocks in supply and demand. We conclude by interpreting our results in the context of the historical data, identifying limitations of our assumptions and a discussion of output growth over longer 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.

### Textbooks

- **Macroeconomics: Fifth Canadian Edition**, Oliver Blanchard and David Johnson, 2015

## Course Requirements

- There will be two midterms, to be written in class, and a final exam. Weights and tentative dates are as follows:

Component	Date	Weight (% of final grade)
Midterm 1	May 16	30%
Midterm 2	June 4	30%
<i>Total Term Work</i>		<b>60%</b>
Final Exam	TBA	<b>40%</b>

### *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, practice questions etc.)
3. The final exam will be comprehensive and based on the entire course.
4. I will be giving end-of-chapter review questions through the Avenue-to-Learn website. There are no marks associated with these exercises but they will help you prepare for the written examinations. The solutions will be posted with a lag of one week; in the meantime, you are encouraged to do your best to solve the questions on your own. The review questions will be more difficult, on average, than the examination questions, so if you feel that you can easily solve the review questions that is a strong signal that you are doing well in the course.
5. You will be given review quizzes through the Avenue-to-Learn website. You are strongly encouraged to take these quizzes to prepare for the exams.
6. If you find that your difficulties in this course are too great, you are encouraged to discuss them with me during my office hours as early in the semester as possible. If something is unclear, ask for clarification in advance! **You are strongly encouraged to express your thoughts and questions during the lectures.**
7. 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 make homework much easier and help you prepare for the examinations.
  - b. Work through the lecture notes, the in-class examples, homework questions and the related chapters from the textbook at home.
  - 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 Content

Material	Chapter in textbook
1. Introduction and Overview	1, 2

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Material	Chapter in textbook
2. The Goods Market	3
3. Financial Markets	4
4. Goods and Financial Markets: The IS-LM Model	5
5. Openness in Goods and Financial Markets	6
6. The Goods Market in an Open Economy	7
7. Output, the Interest Rate and the Exchange Rate	8
8. The Labor Market	9
9. The AS-AD Model, The Basics	10
10. The AS-AD Model, Liquidity Traps and Supply Shocks	11
11. The Phillips Curve, the Natural Rate of Unemployment and Inflation	12
12. Fiscal Policy: A Summing Up	25
13. Monetary Policy: A Summing Up	24

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