

McGill University
Department of Economics
Macroeconomic Analysis and Applications
(ECON209 Section 2)
Winter 2021

Instructor Contact Information:

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Office hours: All office hours conducted by the instructor and TAs and TA weekly conferences will be Zoom meetings this term. The schedule and links will be posted on MyCourses.

Regular classes:

Times: TTH4:05pm-5:25pm

Room: All classes will be offered on-line with a mix of pre-recorded videos and zoom meetings through MyCourses. All the recordings will be available on MyCourses.

Textbooks:

Macroeconomics, *Christopher T.S. Ragan*, Sixteenth Canadian Edition Plus MyLab Economics with Pearson eText -- Access Card Package, 16/E. The package can be purchased on Pearson website.

There will be homework assigned on MyLab. TAs will hold weekly conferences and office hours to explain the homework and answer your questions regarding your homework. All homework will be optional and weight zero to your final course grade.

Nature of this Course.

The goal in teaching this course is to help spark your interest in economics by introducing you to some of the most important principles and policy debates in macroeconomics. Not all chapters will be covered in the textbook (we will miss 7 of the total of 19), but will hopefully cover those fewer topics with more depth.

Supplementary Readings.

I will supplement the textbook with several readings from newspapers, magazines or academic journals. Most of these will be available on MyCourses.

Examinations: There will be three exams.

Three Exams.

There will be **three** exams. All exams are timed online exams which will be released on MyCourses under Quizzes.

The Exam 1 is scheduled on **Feb. 11th, 2021**.

The Exam 2 is scheduled on **March 25th, 2021**.

The final exam will be scheduled by the university during the final exam period.

The **higher grade** of the two on your first two exams will make up **40%** of your final course grade.

Your grade on final exam will make up **60%** of your final course grade.

Therefore, you must take at least one of Exam one and Exam two. There will be no deferred exam for any of the above two exams. If you miss both exams, you must write a course paper to obtain the 40% of the final course grade. The guidelines for the course paper will be provided to you after you miss both exams.

There will be a supplemental examination which will be worth 100% of your final grade.

McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr/honest/ for more information).

Broad Description of Course

This course is designed to introduce you to the basics of macroeconomics, as well as some beyond-the-basics topics such as open-economy macro, fiscal and monetary policy, and unemployment. Some emphasis will be placed on existing debates in the design and conduct of macroeconomic policy.

Preliminary Course Outline

Part A: The Basics

Section 1. Introduction to Macroeconomic Issues (4 lecture)

Topics Include:

- definitions of key macroeconomic variables
- the circular flow of income (income v. production v. expenditure)
- the measurement of aggregate prices and quantities

Readings:

Chapter 19: What Macroeconomics is All About
Chapter 20: The Measurement of National Income

Section 2. The Real Economy in the Short Run (8 lectures)**Topics Include:**

- determinants of planned consumption and investment
- the concept of equilibrium aggregate output
- what is the “multiplier”?
- Aggregate Demand (AD) and Aggregate Supply (AS) curves

Readings:

Chapter 21: The Simplest Short-Run Macro Model
Chapter 22: Adding Government and Trade into the Simple Macro Model
Chapter 23: Aggregate Supply and Aggregate Demand in the Short-Run

Section 3. The Adjustment Process (2 lecture)**Topics Include:**

- the concept of potential output
- price adjustment and the output gap (the Phillips Curve)
- demand shocks versus supply shocks

Readings:

Chapter 24: From the Short-Run to the Long-Run

Section 4. Productivity and Long-Run Economic Growth (2 lecture)**Topics Include:**

- short-run versus long-run macro relationships
- the basics of growth accounting
- the relationship between saving, investment and growth
- the economics of ideas and “new” growth theory

Readings:

Chapter 25: Long-Run Economic Growth

Section 5. Money, Monetary Policy, and Inflation (2 lectures)

Topics Include:

- the nature of money, central and commercial banks
- the interest rate and monetary equilibrium
- the transmission mechanism of monetary policy
- short-run non-neutrality and long-run neutrality of money
- the costs of inflation; the benefits of low inflation

Readings:

Chapter 27: Money and Banking
Chapter 28: Monetary Policy in Canada

Part B: Topics Beyond the Basics**Section 6. Government Debt and Deficits (2 lecture)****Topics Include:**

- the government budget constraint: primary versus actual deficits
- the dynamics of the debt-to-GDP ratio
- public, private and national saving: Ricardian Equivalence
- the long-term burden of government debt

Readings:

Chapter 31: Government Debt and Deficits

Section 7. Open-Economy Macroeconomics (2 lectures)**Topics Include:**

- balance of payments accounting
- market-determined exchange rates
- should we care about current-account deficits?
- is there a “right” value for the exchange rate?

Readings:

Chapter 34: Exchange Rates and the Balance of Payments

Section 9. Wrap-up and Review (1 lecture)**Topics Include:**

- putting the short run and long run in perspective
- New Keynesian versus New Classical
- Some recent history of macroeconomic ideas
