Macroeconomic Theory  
ECON 330 D2– Section 002  
Outline for Winter 2020

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Credits: 3
Method: Two lectures per week
Meeting Times and Location: 8:35am-9:55am in BRONF 151

Course Description
ECON 330D is a two-term course in macroeconomics. 330D1 is the first term of 330D and is a pre-requisite for 330D2, the second term of 330D. No credit will be given for ECON 330D unless both ECON 330D1 and ECON 330D2 are successfully completed in consecutive terms.
The first term focuses on the fundamentals of macroeconomic models. Particular attention will be paid to developing a one-period static model and a model of economic growth. The second part of the course will build on these fundamental building blocks to develop a two-period dynamic model of the macroeconomy and a static search model of unemployment. Each time we develop a model we will use it to study issues focusing on economic policy.

Prerequisites
ECON 230 or ECON 250. If a student has already taken ECON 208 and ECON 209, it may be concurrently taken with ECON 230 with the permission of the instructor. This will be enforced after the first week of classes and students without the necessary pre-requisites will be automatically removed. Students must register for both ECON 330D1 and ECON 330D2. No credit will be given for this course unless both ECON 330D1 and ECON 330D2 are successfully completed in consecutive terms.
In terms of mathematics, I will use calculus very sparingly and only if necessary. The use of calculus, therefore, should definitely not worry you. But, realize that the kind of reasoning that we will use throughout the course follows mathematical logic. As a matter of fact, it is exactly that kind of reasoning that I hope you will learn from this course. The difference to a math course lies in the assumptions that we make and in the interpretation of the equations. Because this type of reasoning is new to most of you, I encourage you strongly to engage with the material throughout the course, instead of cramming and memorizing.

Course Material
The assigned textbook is *Macroeconomics* (Fifth Canadian Edition) by Stephen Williamson, published by Pearson Education Canada. Some concepts presented in class are not readily available in the assigned textbook. If you have another edition of this book feel free to use it. But, you are responsible to know the discrepancies between editions. For example, the numbering of exercises might have changed, chapters may have been added or condensed, etc.

Grading policy
This is the second term of a two-term course (both terms should be taken in order to receive credit) and this term accounts for 65% of the year grade. This 65% is allocated according to the following rule:

1. Midterm Exam I (10%). Tuesday, February 18. In class.
2. Midterm Exam II (10%). Tuesday, March 24. In class.
3. Final Exam (45%). 3-hour exam scheduled by the Faculty of Arts in the in the final examination period of the winter semester 2020. This final exam will include material from 330D1.

The midterm exams will be comprehensive including all the material covered up to those dates.

This weighting cannot be changed. You can only miss an exam if you have a medical reason (doctor’s note required). In case of missing the exam for medical reasons its weight will be transferred to the final exam.

Supplemental examination for those eligible will cover material from 330D1 and 330D2 and it will be held in August after 330D2 is completed. Both courses will be equally weighted in the supplemental and this exam will count for 100% of the supplemental course grade. There will be no supplemental exam for the Fall semester material alone. Finally, students enrolled in this section of 330D1 cannot take the exam in any other section of 330D1.
Regrading policy
If you believe that there is a mistake in grading your exam, you must provide the TA a written appeal, which clearly points out the mistake(s) you believe were made. You and the TA have to sign the appeal and date it. Unless there is an obvious typo, we will regrade the entire exam (notice that you could end up with a lower grade). If after the regrade you are still convinced that there is a mistake, you have to provide me a second written appeal, which clearly point out the mistake(s) you believe were made, and a copy of the content of the first appeal. Finally, you have to ensure that the appeals are done in timely manner. Your first appeal has to take place during the first seven (7) days following the date when the exam was officially handed back.

Preparation for exams
You are primarily tested on the material covered during lectures and the assigned exercises. Attending lectures, taking good notes, and doing the exercises are thus excellent methods of preparation. Discussing the material with your peers can be very useful as well. I also encourage you to come by my office hours if you are having difficulties or you just want to exchange thoughts and ideas.

Course Outline
The following is an overview of what we expect to cover. The time we spend on certain issues may change as we find the right pace for the course and as a result, more or less may be covered than is presented in this overview.

- A Two-Period Model: The Consumption-Savings Decision and Credit Markets (Ch. 9)
- Credit Market Imperfections: Credit Frictions, Financial Crises, and Social Security (Ch. 10)
- A real intertemporal model with investment (Ch. 11)
  - A model combining the one- and two-period models studied in the Fall
  - Comparative statics of the model
- A monetary intertemporal model (Ch. 12, parts of Ch. 18)
  - Introduces money into the intertemporal model
  - Money, banking, prices, monetary policy
  - Determinants of inflation in the long run
- Business cycle facts (Ch. 3)
  - Behavior of key macroeconomic variables
• Business cycle models with flexible prices and wages (Ch. 13)
  – The real business cycle model
  – The Lucas-Friedman money surprise model
  – How do the models fit the data?

• A New Keynesian model of business cycles: sticky prices (Ch. 14, parts of Ch. 15)
  – An extension of the monetary intertemporal model
  – The role of government policy: fiscal and monetary policy
  – How does the model fit the data?
  – The Phillips curve

• Search and Unemployment (Ch. 6)
  – Labor market facts
  – A search model of unemployment

**Academic Integrity**

McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offenses under the code of student conduct and disciplinary procedures (see http://www.mcgill.ca/integrity/ for more information).

L’université McGill attache une haute importance à l’honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l’on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l’étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site http://www.mcgill.ca/integrity).