

Macroeconomic Theory

ECON 330D2 Section 2

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McGill University
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Course description and objectives

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.

Administrative Issues

3 credits

2 lectures per week, Tue and Thus 1:05am-2:25pm, via Zoom. You will find the Zoom link on mycourses.

Note: All times refer to the Montreal time zone.

Contact:

course email: e330winter2021@gmail.com

my email: mayssun.el-attarvilalta@mcgill.ca

office hours: via Zoom, times posted on mycourses.

For any matter related to the course, write to the course email.

Course delivery: Lectures will be delivered live on Tuesdays and Thursdays, 1:05am-2:25pm. Each lecture will be recorded and will be uploaded afterwards to mycourses. Thus, each student who cannot attend the live lecture can watch the recording later on mycourses.

Text and learning tools:

- The **textbook** for this course 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.
- The text comes with access to an online site **MyEconLab**, at www.myeconlab.com, where you will find explanations for a selection of end-of-chapter text exercises/questions and some short practice quizzes. When using **MyEconLab** you will be asked for the course name ('Econ 330 Section 2 Winter 2021') and Course ID (el-attar26351).
- There will also be some readings supplementary to the textbook. These will be made available electronically (on mycourses) at the appropriate time.
- Lecture recordings will be posted on *mycourses*.

In addition, continuous class attendance is strongly encouraged – be it at the time of class or by watching the recordings. Any points raised in class can end up in the examinations.

Office Hours: TAs will hold weekly office hours. In these sessions, they will be available to answer your questions, help you to review the course material, and help you solve problems and exercises. You can reach the office hours via a Zoom link that you will find on mycourses. If you find that the office hours offered are not enough, please email the course email: e330winter2021@gmail.com.

Answering questions by email: For any questions about the course, email e330winter2021@gmail.com. The TAs and I will be answering questions sent to this email address.

Lecture Recordings: By enrolling in this course, you accept that lectures will be recorded. When attending a lecture “live”, your image, voice, and your name (or preferred name) may be recorded, and your instructor may call your name during the lecture. As such, this personal information will be disclosed to classmates, whether during the lecture or in viewing the recording. By attending a lecture “live”, you consent to being recorded and you accept that personal information of this kind may be disclosed to others, whether during the lecture or when viewing the recording. If you are not comfortable being in a lecture that is recorded, you may decide to not attend “live”. Students who do not attend the live lecture are able to watch the video recording of the lecture later in *mycourses*.

Grading: 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 (15%). Tuesday, February 16. (from 9am).
2. Midterm Exam II (15%). Tuesday, March 23. (from 9am).
3. Final Exam (35%). 3-hour exam scheduled by the Faculty of Arts in the in the final examination period of the winter semester 2021. **This final exam will include material from 330D1.**

The **exams** will be made available through *mycourses* at the specified dates (see below) at 9am. You then have 48 hours to log into *mycourses* and open the exam. Once the exam has been opened, you will have 1 hour to complete the midterms and 3 hours to complete the final exam. The midterm exams will be comprehensive including all the material covered up to those dates. There will be no lecture on those days.

The exams will be take-home exams, which follow the open-book format. That means that during the exam you will be allowed to consult resources as specified by the instructor, however you are not allowed to communicate with other people about any aspect of the exam.

Missed tests: If you must miss the midterms for justifiable reasons, the weight of the missed test will be distributed among the other components of the evaluation. For this, you need to email me a justification, with proof, within one week of the test. Please note that the option of distributing the grade is applicable **ONLY** if you miss the midterm for justifiable reasons as determined by me (‘the instructor’) and subject to written confirmation deemed acceptable by me. If you miss one of the tests without my approval you get a mark of zero for it.

Regrading: If you have any concerns regarding grading please get in touch with me. Mistakes in tallying scores would be corrected immediately. If you have other concerns about grading, please let me know. In such a case you must submit your entire exam for a regrade. Requests to regrade specific questions only will not be entertained.

Note: In the event of extraordinary circumstances beyond the University’s control, the content and/or evaluation scheme in this course is subject to change.

Under no circumstances will you be allowed to present additional work to increase your grade in the course.

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.

Your electronic submission of the exams and quizzes certifies that you have not, nor will you, consult with any other person about the exam, or any other subject related to it. Students who consult will be subject to disciplinary action as per the Student Code of Conduct.

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 use the TAs 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
 - Derive the Fisher relationship
 - Money is neutral

- Conventional monetary policy is ineffective
- Explain unconventional monetary policies
- Business cycle facts (Ch. 3)
 - Behavior of Key Macroeconomic Variables
- Business Cycle Models (Ch. 13)
 - The real business cycle model
 - The new keynesian model
 - How do the models fit the data?
 - The role of government policy: fiscal and monetary policy.
- Inflation: Phillips Curves (Ch. 14)
 - Phillips curves
 - Inflation in a basic new keynesian model
 - New keynesian rational expectations model
- Money and Inflation: A deeper look (Ch. 17)
 - Alternative forms of money
 - Anticipated inflation and the Friedman rule
- Financial Intermediation and Banking (Ch. 18)
 - Key properties of assets
 - The Diamond-Dybvig model: the role of financial intermediaries in the economy
 - The role of deposit insurance and the too-big-to-fail problem.
- 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>).