

## Economics 353 Macroeconomics Honours 1

Credits: 3

Method: Two lectures per week in person

Meeting Times and Location:

Professor: Francisco Alvarez-Cuadrado

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Office: Leacock 321E

Office hours: Tue 9:00-11:00

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Regular office hours: **Wed 12:00-2:00 p.m. at Leacock 111A**

Exam 1 Conference: TBD

Exam 2 Conference: TBD

**Learning Objectives:** This course is centered on both basic concepts pertaining macroeconomics and the use of these concepts in analyzing contemporary economic issues.

**Prerequisites:** An understanding of basic microeconomics is essential. This course is designed for a student that has successfully completed Honours Microeconomics (250D). I will use algebra and calculus freely.

**Textbook:** No textbook is required; I will provide lecture notes.

**Grading policy:** The total grade will be allocated according to the following rule,

1. **Problem sets (5%)**
2. **Exam I (25%).** In class on Tuesday, October 3<sup>rd</sup>. **Material from Ch. 1-3 of the lecture notes.**
3. **Exam II (40%).** In class on Thursday, November 16<sup>th</sup>. **Material from Ch. 1-4.**
4. **Group presentations (30%)**

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 I for medical reasons, its weight will be transferred to Exam II.

Problem sets will be made available through Mycourses. You will need to upload your answers as a single pdf document in the Assignments section of Mycourses. While I strongly encourage you to work on the problem sets in groups, each student in a group needs to upload their own solution. Note that some of the material in a problem set may be covered in class after its release (but before its due date). The only objective of the problem sets is to prepare you for the exams. If you turn in your

answers, you will receive full credit for these assignments independently of whether they are complete or not.

Exams I and II cover the material stated below. Notice that exam II is comprehensive, including all the material of the term.

A supplemental examination for those eligible will be held during the supplemental exam period. This exam will count for 100% of the course grade.

**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. This appeal should be emailed to the TA to get a record of the date of the appeal. 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 a second written appeal, this time directly to me, 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 must take place during the first seven (7) days following the date when the exam was officially handed back.

*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/integrity](http://www.mcgill.ca/integrity) for further information).*

*According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the calendar, section 4.7.2.1, General University Information and Regulations, at [www.mcgill.ca](http://www.mcgill.ca).*

*In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded.*

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

*All slides, video recordings, lecture notes, etc. remain the instructor's intellectual property. As such, you may use these only for purposes of your own learning (and research, with proper referencing/citation). You are not permitted to disseminate or share these materials; doing so may violate the instructor's intellectual property rights and could be cause for disciplinary action.*

Here is an outline of the course, with the associated readings (starred (\*) readings are required). Given that our lecture time is limited, some of the readings are aimed to complement the material covered in class.

## **1. Math**

## **2. Measuring the Macroeconomy**

\*Frank, R.H. (2008) "Income and Happiness: An Imperfect Link" Economic View  
Landefeld, J. Steven, Eugene P. Seskin, and Barbara M. Fraumeni. 2008. "Taking the Pulse of the Economy: Measuring GDP" *Journal of Economic Perspectives*, 22(2): 193–216

### **3. Introduction**

\* The Economist, “The other-worldly philosophers”, July 18<sup>th</sup> 2009

Domar, E. (1970), “The Causes of Slavery or Serfdom: A Hypothesis” Journal of Economic History

### **4. Growth**

#### **a) Motivation**

Cobb, C.W. and P.H. Douglas (1928) “A Theory of Production” AER

#### **b) The Solow Model**

Solow (1956), “A Contribution to the Theory of Economic Growth” QJE

Solow (1957) “Technical Change and the Aggregate Production Function” REStat

\*Jorda et al (2020) “The long economic hangover of pandemics”

\*Krugman, P. (1994) “The Myth of Asia’s Miracle” Foreign Affairs

Bosworth, B. and S.M. Collins (2008) “Accounting for Growth: Comparing China and India” JEP

#### **c) Piketty’s “Capital in the Twenty-First Century”**

#### **d) Education and Growth**

#### **e) Beyond physical and human capital: Fundamental causes of growth**

## **Presentations**

Presentations should last around 1 hour. Then, the group presenting will have time to answer questions from the rest of us.

A week before each presentation the group should send me a two-page summary of the material they will present that I will post in MyCourses. Everyone attending the presentation should read this summary in advance (at random, in the day of the presentation, I might choose to conduct a five-minute quiz on that day’s summary, the grade of such a quiz will never be more than 3% of the presentation grade). As opposed to my lectures, where attendance is voluntary, attendance is required for the presentations.

## **Topics**

### **1. Institutions**

Engerman and Sokoloff (1997) “Factor endowments, institutions, and differential growth paths among new world economies” In: Haber, S. (Ed.), *How Latin America Fell Behind*. Stanford University Press, Stanford, CA.

Acemoglu, D., S. Johnson and J. Robinson (2005) “Institutions as the Fundamental Cause of Long-Run Growth” *Handbook of Economic Growth*. This article provides a theoretical framework to organize the material in “Why Nations Fail...”

Acemoglu, D. and J.A. Robinson (2012) *Why Nations Fail: the origins of power, prosperity, and poverty*.

### **2. Geography**

Diamond, J., *Guns, Germs and Steel*, W.W. Norton & Co. (in the library they have a documentary based on the book that should do the job)

Bloom, D. and J. Sachs. (1998) "Geography, Demography, and Economic Growth in Africa" *Brookings*

Sachs, J. (2003) "Institutions don't rule: Direct effects of geography on per capita income" NBER

Alsan, M. (2015) "The Effect of the TseTse Fly on African Development" *American Economic Review*

### **3. History**

Nunn, Nathan, (2009) "The Importance of History for Economic Development", *Annual Review of Economics*

Nunn, Nathan and Leonard Wantchekon, (2011), "The slave trade and the origins of mistrust in Africa" *AER*

Banerjee A, Iyer L, Somanathan R. (2005) "History, social divisions and public goods in rural India". *J. Eur. Econ. Assoc.*

Dell, M. (2010) "The Persistent Effects of Peru's Mining Mita", *Econometrica*

### **4. Misallocation as a theory of TFP**

Hsieh, C.T., E. Hurst., C.I. Jones and P. J. Klenow (2019) "The Allocation of Talent and US Economic Growth," *Econometrica*.

Hsieh, C.T. and P. J. Klenow (2009) "Misallocation and Manufacturing TFP in China and India," *The Quarterly Journal of Economics*

Gollin, D., D. Lagakos and M. Waugh (2014) "The Agricultural Productivity Gap in Developing Countries," *Quarterly Journal of Economics* 129(2): 939-993.

Vollrath, D. (2009) How Important are Dual Economy Effects for Aggregate Productivity?, *Journal of Development Economics*, 2009, 88, pp. 325-334.

Hayashi, F. and E. C. Prescott, (2008) "The Depressing Effect of Agricultural Institutions on the Prewar Japanese Economy," *Journal of Political Economy*.

### **5. Policy and Growth**

Rodrik, D. (2008) "Second-Best Institutions," *AER*

Rodrik, D. (2004) "Growth Strategies" *Handbook of Economic Growth*

R. Hausmann, B. Klinger, and R. Wagner (2008) "Doing Growth Diagnostics in Practice: A 'Mindbook'"

Henry, P.B. and C. Miller (2009) "Institutions versus Policies: A Tale of Two Islands," *American Economic Review*.

## Tentative schedule

Date		Contents	Read before class	HW**	Readings*
31-Aug-23	Thursday	Hello			
05-Sep-23	Tuesday	Math 1		HW1	
07-Sep-23	Thursday	Math 2			
12-Sep-23	Tuesday	Measurement 1	Pg. 1-13		
14-Sep-23	Thursday	Measurement 2	Pg. 13-26		Income and Happiness: An Imperfect Link (Frank)
19-Sep-23	Tuesday	Measurement 3	Pg. 26-38		
21-Sep-23	Thursday	Measurement 4	Pg. 38-46		
26-Sep-23	Tuesday	Measurement 5	Pg. 46-57	Due	
28-Sep-23	Thursday	Intro			The other-worldly philosophers (The Economist)
<b>03-Oct-23</b>	<b>Tuesday</b>	<b>Exam 1 (up to Measurement 5, included)</b>			
05-Oct-23	Thursday	Growth: Motivation		HW2	
09-Oct-23	Monday	Thanksgiving			
10-Oct-23	Tuesday	Reading break			
12-Oct-23	Thursday	Monday schedule			
17-Oct-23	Tuesday	Solow 1			
19-Oct-23	Thursday	Solow 2			The long economic hangover of pandemics (Jorda)
24-Oct-23	Tuesday	Solow 3			
26-Oct-23	Thursday	Solow 4			
31-Oct-23	Tuesday	Solow 5			The Myth of Asia's Miracle (Krugman)
02-Nov-23	Thursday	Solow 6 / Piketty			
07-Nov-23	Tuesday	Education and growth 1			
09-Nov-23	Thursday	Education and growth 2		Due	
14-Nov-23	Tuesday	Beyond K and H			
<b>16-Nov-23</b>	<b>Thursday</b>	<b>Exam 2 (all the material covered)</b>			
21-Nov-23	Tuesday	Institutions			
23-Nov-23	Thursday	Geography			
28-Nov-23	Tuesday	History			
30-Nov-23	Thursday	Misallocation			
05-Dec-23	Tuesday	Policy			

\*Some of the material required to complete the assignment will be covered in the lectures that follow the date of release of the assignment

\*\* You should read them before the corresponding lecture