

Macroeconomic Analysis & Applications

ECON209 (Section 003)

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McGill University
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Course description and objectives

The course aims to introduce students to the major issues facing the world's economies, to the methods that economists use to study those issues, and to the policy problems that those issues create. The goal is to give students a sufficient understanding of the definition and determinants of aggregate variables in the economy. Topics include: introduction and preliminaries; GDP and national accounts; the basic macroeconomic model; money; inflation; unemployment; fiscal and monetary policy; trade policy; financial crisis and recession. The course assumes that students have taken ECON208 or equivalent.

Study Hints: I strongly recommend that you keep up with the readings as the lectures progress - don't leave them until exam time, it is very easy to get behind, and difficult to catch up when you do. Economic reasoning builds upon itself, so you need to understand each part as we go along. Lectures, problem sets and lecture notes are very important. Lecture notes and answers to problem sets will not be posted on the myCourses web site.

Administrative Issues

3 credits. 2 lectures per week: Tue and Thu 8:35pm-9:55pm in ARTS W-120.

Contact:

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office hours: Thursday 2-3.30pm in Leacock 438.

Text and learning tools: The **textbook** for this course is *Macroeconomics* (13th Canadian Edition) by Ragan & Lipsey, published by Pearson Education Canada. You may find the associated **Study Guide** (by Dickinson & Indart) useful; working through this study guide will considerably help your understanding of the material. These are available at *Paragraphe* bookstore on McGill College Avenue. There will also be some readings supplementary to the textbook. These will be made available electronically (on the course's WebCT page) at the appropriate time or will be available through the textbook's own web site on **MyEconLab**, at www.myeconlab.com.

In addition, continuous class attendance is strongly encouraged. Any points raised in class can end up in the examinations.

Problem Sets: During the term you will receive exercise sets. You should attempt to solve all the exercises, some of which may introduce you to additional, related material. You will be asked to hand in completed answers to just a small number of selected exercises. Your performance in these exercises does not count directly towards your final grade for the course but may be influential in determining your grade if you encounter difficulties which degrade your examination performance. We will discuss some of the exercises in class and you will have the opportunity to raise questions concerning the exercises.

Grading: Assessment is by a midterm exam and a final exam. The midterm exam will take place in class on Thursday February 17 and will account for 25% of your grade. The final exam will be a 3-hour exam scheduled by the Faculty of Arts in the exam period in April and will be worth 75% of the grade. The midterm will be counted only if you get a higher grade on it than in the final.

In case of absence at the final exam for medical reasons, please refer to the University Regulations Concerning Final Examinations. Note: 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. Also note: 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. Finally: In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

WebCT: You should regularly check the **myCourses** WebCT page for announcements, up-to-date information, additional readings, conference topics, and other items to assist you in the course.

Academic Integrity: Cheating is bad, everywhere and always. It is your responsibility to understand what is meant by "cheating" at McGill, and thus what behaviour is unacceptable. I am required to have the following statement on the course outline, in both official languages:

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 <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/>).

Course Outline

Due to time constraints, it is possible that some topics will not be covered or some topics added. I maintain discretion regarding changes in this outline. Any changes will be announced in class and/or on WebCT.

1. Introduction to Macroeconomic Issues.
 - Economic issues and concepts (chapter 1, chapter 2 and chapter 3).
 - What macroeconomics is about (chapter 19).
 - The measurement of national income (chapter 20).
 2. The Economy in the Short Run.
 - The simplest short-run macro model (chapter 21).
 - Adding government and trade to the simple macro model (chapter 22 and Appendix).
 - Output and prices in the short-run (chapter 23).
 3. The Economy in the Long Run.
 - From the short-run to the long-run: the adjustment of factor prices (chapter 24).
 - The difference between short-run and long-run macroeconomics (chapter 25).
 - Long-run economic growth (chapter 26).
- Midterm Exam.*
4. Money, Banking and Monetary Policy.
 - Money and Banking (chapter 27).
 - Money, interest rates and economic activity (chapter 28).
 - Monetary Policy in Canada (chapter 29).
 5. Macroeconomic problems and policies.
 - Inflation and disinflation (chapter 30).
 - Unemployment fluctuations and the NAIRU (chapter 31).
 - Government debt and deficits (chapter 32).
 6. Trade policy (chapter 34).
 7. Financial Crisis and Recession.