INTERMEDIATE MACROECONOMIC THEORY AND POLICY I
ECONOMICS 2152B-002
Department of Economics
Western University

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Office Hours: Monday; 2:30 – 3:30pm; W: 10:30-11:30am
Class room & Meeting Times: SEB 2200, M, W, F, 12:30-1:30pm
Course website: https://owl.uwo.ca/
Undergraduate Inquiries: 661-3507 SSC 4075 or econugrd@uwo.ca

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at https://studentservices.uwo.ca/secure/index.cfm. If you notice a problem, please contact your faculty academic counsellor right away.

Prerequisite Note

The prerequisites for this course are Economics 1021A/B and 1022A/B, or Economics 1020, or 2001A/B and one of MCV4U, Mathematics 0110A/B, or Calculus 1000A/B, Mathematics 1225A/B or the former Calculus 1100A/B.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an antirequisite course. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed. If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Description

This is a course in macroeconomic theory in the intermediate level. It uses a modern approach to macroeconomics by building macroeconomic models from microeconomic principles. As such, it
is consistent with the way that macroeconomic research is conducted today. The course is primarily concerned with developing basic workable models used for macroeconomic analysis. The determination of the aggregate output, aggregate consumption and investment, economic growth and business cycles will be discussed. Some policy issues – the real-world applications of our basic models – will be also addressed.

**Learning Outcomes**

Upon successful completion of the course, the student will:

- Be able to identify the various phases of the business cycle and explain how key macroeconomic variables behave in these phases.
- Be able to distinguish between the differences and similarities of the three methods of national income accounting and will be able to calculate GDP using these three methods.
- Be able to define and calculate various labour market and price level measurements, while discussing the limitations of these measurements.
- Be able to develop both graphically and numerically the one-period and two-period models which represent the micro foundations of our macro model.
- Be able to critically compare and explain the causes and effects of changes in these models and apply this knowledge to new examples.
- Be able to define and explain the income and substitution effects on the representative consumer’s choices.
- Be able to derive algebraically and graphically the labour supply curve.
- Be able to analyze and explain the determinants and their effects on the labour, goods and money markets.
- Be able to distinguish between the sources of growth and solve graphically and algebraically for equilibrium.
- Be able to explain how monetary policy and fiscal policy affects the economy, while discussing the advantages and disadvantages of various types of policies, and understanding the role of the Bank of Canada and the government in implementing these policies.
- Be able to contrast and explain recent recessions in Canadian history as well as the financial crisis

**Course Materials**

You have two options:

2. **A custom edition of the Williamson’s 4th edition** (referred to below as “Custom Coursepack”). This is prepared specifically for our class and covers the chapters only in 2152. It is also available at the bookstore and titled as “Intermediate Macroeconomics”. Please note that if you plan to take Economics 2153 later, you should buy the full text instead of the custom edition since it would be most cost effective.

There will also be a course website at [https://owl.uwo.ca/portal](https://owl.uwo.ca/portal). The course website will provide information regarding exams, assigned problems and lecture slides. It is recommended that you download the slides before coming to class. Note that this site is a supplemental tool and should not be regarded as a substitute for lectures.
**Evaluation**

The course grade will be based on the two midterms and a final exam. The material for all tests and exams consists of the topic covered in the textbook, and covered in the lectures.

The distribution of the marks and dates for the exams:

<table>
<thead>
<tr>
<th></th>
<th>Weights</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Midterm I</td>
<td>25%</td>
<td>10:00am – 12:00pm</td>
</tr>
<tr>
<td>Midterm II</td>
<td>25%</td>
<td>7:00pm – 9:00pm</td>
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<tr>
<td>Final</td>
<td>50%</td>
<td>Set by the Registrar</td>
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**Course outline:**

1. **Introduction**
   This section will cover basic definitions and the calculation of national income/output. As well, the major variables and attributes of the business cycle are examined.
   *Full Text* Chapters 1, 2, 3; *Custom Coursepack* Chapters 1, 2, 3.

2. **Consumer and firm behavior**
   In this section the representative consumer and the representative firm is introduced. This topic forms the starting point of our model.
   *Full Text* Chapter 4; *Custom Coursepack* Chapter 4

3. **One period model of the economy**
   In this section the government sector is added to the consumer’s and the firm’s decisions and equilibrium is obtained.
   *Full Text* Chapter 5; *Custom Coursepack* Chapter 5

4. **Two period model – consumption and saving**
   In this section the model extends the consumer to two periods and studies consumption allocation across time.
   *Full Text* Chapters 9, 10; *Custom Coursepack* Chapters 7, 8.

5. **Two period model – with investment**
   Here the individual parts of the model are brought together and the basic model renders a macroeconomic equilibrium.
   *Full Text* Chapter 11; *Custom Coursepack* Chapter 9

6. **Money**
   This section introduces money into the model and its relationship to economic activity.
   *Full Text* Chapter 12; *Custom Coursepack* Chapter 10

7. **Economic growth**
   This section deals with the long run growth of the economy.
   *Full Text* Chapter 7; *Custom Coursepack* Chapter 6
Notes: 1. While an attempt will be made to follow the outline as closely as possible, things may change as the course progresses.

2. You are responsible for all content covered in the lectures and the assigned chapters of the textbook. Some chapter content may not be covered in the lectures and some lectures may not be in the textbook.
Please Note
Department Policies for 2014 – 2015

Remember that the University expects all students to take responsibility for their own academic Programs. Also remember to check your registration to make sure you are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at http://westerncalendar.uwo.ca.


3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other economics courses or programs. The University may impose further penalties such as a notation on your official academic transcript, suspension or expulsion.

4. **Plagiarism:** Students must write their essays and assignments in their own words. Whenever students take an idea or a passage from another author, they must acknowledge it by using quotation marks where appropriate and referencing with footnotes or citations. Plagiarism is a major academic offence (see Scholastic Offence Policy in the current UWO Academic Calendar at http://westerncalendar.uwo.ca/2014/pg113.html).

The University of Western Ontario uses software to check for plagiarism and students may be required to submit their written work in electronic form. Those found guilty will have penalties imposed as noted in point 3.

5. It is Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students are responsible for submitting assignments in class or to the instructor during office hours.

6. When appealing a mark, students should refer to the University’s Procedures in the current UWO Academic Calendar (http://westerncalendar.uwo.ca/2014/pg112.html). Please note the relevant deadlines.

The Department will not consider any appeal unless an attempt has been made to settle the matter first with your instructor. If after this discussion you remain dissatisfied with a grade or other decision, you may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for your appeal. A useful form and checklist is provided at (http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals).
7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is not grounds for an appeal.

8. Note the following add and drop deadlines:

   Last day to **add** a Second term half course:  
   **Tuesday, January 13th, 2015**

   Last day to **drop** second term half course without academic penalty:  
   **Monday, March 9th, 2015**

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is not an excuse for a make-up. This rule applies to all mid-term tests and final exams in the Department of Economics.

   **Policy Regarding Makeup Tests and Final Examinations**

   *Academic Accommodation will not be granted automatically on request. You must demonstrate by documentation that there are compelling medical or compassionate grounds before academic accommodation will be considered.*

   If you decide to write a test or an examination, you must be prepared to accept the mark you earn. Rewriting tests or examinations, or having the value of the test or examination reweighted on a retroactive basis, is not permitted. Book airline flights after you know the dates of your final examinations. Airline flights must not conflict with test or final exams.

   If you are requesting a makeup test for a midterm or a final examination, unless medically incapable, notify your instructor by email or phone, preferably prior to the scheduled date of the test, but definitely within **24 hours** of the date of the test or exam. Failure to follow this procedure may result in denial of a request for academic accommodation or result in a grade of zero. Set up an appointment as soon as possible to meet personally with your instructor. If the instructor is not available, you may send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca (Social Science Room 4075). Notifying your instructor of a missed test or exam does not automatically entitle you to a makeup test.

   Students who seek a makeup test or examination must provide medical or other relevant verification that their absence from a regularly scheduled test or examination is beyond their control. Documentation must support your reasons. Medical documentation should be given to the Academic Counselling Office of your home Faculty as soon as possible (preferably within **24 hours of the test**) if you know you may not be able to write your final examination on the scheduled day and time. Failure to follow this procedure, or to provide supporting documentation, may result in denial of a request for academic accommodation or result in a grade of zero. If your documentation is not acceptable, you will be given a zero for the missed test.
For personal illness, if you consult Student Health Services regarding your illness or personal problem, you should request a Student Medical Certificate from the physician. If you were seen by an off-campus doctor, obtain a certificate from his/her office at the time of your visit. The off-campus medical certificate form must be used and can be found at: [http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf). Notes stating "For Medical Reasons" are not considered sufficient.

For any other circumstances, if you are not sure what documentation to provide, ask your Academic Counselor. If your documentation is judged sufficient, the academic counselor will issue a Recommendation for a Special Examination (a single form for midterms or a triple color form for final examinations). Once you have this form, contact your instructor as soon as possible to make arrangements. Even if approved from your home faculty Academic Counsellor, there is no guarantee that you will be allowed to write the makeup test and exam.

For final examinations, you need permission from your home Faculty Counsellor, your instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in an examination grade of zero. You must ensure that the Special Examination form has been signed by the instructor and Department Undergraduate Director and that the form is returned to the Academic Counseling Office for approval without delay. Make-up final examinations, if permitted, will be written within one month of the end of the exam period.

### Policies Regarding Academic Accommodation

Information about the Faculty of Social Science’s policies regarding academic accommodation is found on its website at [http://counselling.ssc.uwo.ca/procedures/havingproblems.asp](http://counselling.ssc.uwo.ca/procedures/havingproblems.asp) or in Social Science Room 2105. Your “Academic Rights and Responsibilities” are also outlined in the current UWO Calendar at [http://westerncalendar.uwo.ca/2014/pg111.html](http://westerncalendar.uwo.ca/2014/pg111.html). Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated procedures.

### Policy Regarding Class Attendance

If your instructor views your class attendance as unsatisfactory, you can be prohibited from writing the final examination. If there is intent to make use of this University policy, you will be notified in writing.

### Statement on Mental Health and Support Services

If you or someone you know is experiencing emotional/mental distress, there are several resources here at Western to assist you. Please visit [http://www.uwo.ca/uwocom/mentalhealth/](http://www.uwo.ca/uwocom/mentalhealth/) for more information and a complete list of resources, as well as how to obtain help.