

Concordia University
Department of Economics

Intermediate macroeconomic theory I
ECON 303 - Fall 2012

Instructor: Christian Sigouin
Office: H 1155.41
Phone: 848-2424, ext 3916
Email: csigouin@alcor.concordia.ca
Office hours: Tuesday and Thursday 14:15 to 15:15, or by appointment

Description

This course is an introduction to macroeconomic theory. It studies issues related to short-run economic fluctuations (business cycle). Essentially, this course aims at giving students the tools required to evaluate the impact of various government policies. Policy issues are examined in more details in the sequel course to ECON 303, ECON 304.

Textbook

The required textbook is:
Stephen D. Williamson “*Macroeconomics*” (3rd canadian ed.), Pearson, Addison-Wesley.

The course will only cover chapters 1,2,3,4,5,8, and 9 but this book is also used in ECON 304. There are no assignments; only term exams. However, practice problems with solutions are available on the course’s website. There are also tutorial sessions for this course. Tutorials should begin during the third week of classes.

Evaluation

Term exams (2): 25% each; the first exam during lecture 13 (October 18th) and the second exam during lecture 21 (November 15th)

Final exam: 50%

The weights assigned to each exam are **not negotiable**. If you do not write one term exam for **medical reasons only** (supported by a doctor’s note), your grade on the missed exam will be determined as follows:

$$(\text{grade on missed exam}) = (\text{class average on missed exam}) \times \min \left\{ \frac{(\text{grade on written exam})}{(\text{class average on written exam})}, 1 \right\}.$$

This scheme is not applicable to the final exam. You cannot miss two term exams: In this case, I do not have sufficient information to calculate a final grade. Again, **this is not negotiable**: I **will not** give additional work to make up for missed exams or make special arrangements with anyone: It is **your responsibility** to discontinue the course if an enduring medical condition prevents you from writing both exams, not mine.

Course plan

Numbers within square brackets refer to the appropriate lecture notes available on the course’s website.

Lecture 1: Introduction. (chapter 1) [1]

- Measurement of economic activity, nominal vs real variables, and components of a macroeconomic model

Lecture 2: Calculating the gross domestic product. (chapter 2) [2]

- Income approach, expenditure approach, and product approach. Real GDP, GDP deflator, and inflation.

Lecture 3: Microfoundations 1. [3a], [3b, p. 1-2]

- Math review: functions, derivatives, and total differentials.
- Preferences: utility function (3 assumptions) and indifference curves.

Lecture 4: Microfoundations 2. [3b, p. 3-9]

- Marginal rate of substitution (MRS), budget constraint, and optimal allocation.

Lecture 5: One-period macroeconomic model. [3b, p. 9] [3c]

- Example: A simple model of exchange with home production
- Key concepts: Aggregation, Equilibrium, and Walras' law

Lecture 6: The consumer's problem 1. (chapter 4) [4, p. 1-7]

- Consumption and leisure choice, budget constraint, and optimal choice.
- Income and substitution effects

Lecture 7: The consumer's problem 2 and the firms' problem 1. [4, p. 8-10] and [5, p. 1-5]

- Example: inverse labour supply function / Income and substitution effects
- Production function (assumptions)

Lecture 8: The firms' problem 2 and the government's problem. [5, p. 5-12]

- Profit maximization and the inverse labour demand function.
- The government's problem

Lecture 9: Equilibrium 1. (chapter 5) [6]

- Competitive equilibrium
- Production possibility frontier (Planner's problem)
- Example (Planner's problem and competitive equilibrium)

Lecture 10: Equilibrium 2. [7]

- Pareto optimality and the first and second welfare theorems: implications

Lecture 11: Equilibrium 3. [8]

- Comparative statics: change in government spending and in total factor productivity

Lecture 12: Review of past term exams

Lecture 13: First term exam: Covers material seen in lectures 1 to 12.

Lecture 14: Looking at data 1 (Chapter 3) [9, p. 1-5]

- Solution of first term exam.
- data: correlations.

Lecture 15: Consumer's intertemporal choice 1 (chapter 8) [9, p 6] and [10, p. 1-3]

- What can we learn from the one-period model?
- Intertemporal consumption choice (preferences)

Lecture 16: Consumer's intertemporal choice 2 [10, p. 3-9]

- Intertemporal budget constraint
- optimal saving decisions

Lecture 17: Consumer's intertemporal choice 3 [10a] and [11, p. 1-2]

- Comparative statics: Δy_0 , Δy_1 , $\Delta y_1 = \Delta y_0$, and Δr .
- Forecast error
- Simple example

Lecture 18: Equilibrium 1 [11, p. 3-8]

- Aggregate consumption function
- Government's choice

Lecture 19: Equilibrium 2 [11a] [11b]

- Competitive Equilibrium
- Ricardian Equivalence theorem
- Aggregate demand function

Lecture 20: Review of past term exams

Lecture 21: Second term exam: Covers material seen in lectures 14 to 20.

Lecture 22: Firm's decisions 1 (chapter 9) [12]

- Aggregate demand function, investment, and labour demand
- Investment decisions

Lecture 23: Firm's decisions 2 and Consumer's decisions 4 [13]

- Labour demand and Investment
- Labour supply

Lecture 24: General Equilibrium 1 [14]

Lecture 25: General Equilibrium 2 [14]

Lecture 26: Review