

Queen's University  
Department of Economics

Econ 320: Advanced Macroeconomic Theory II

Winter 2014

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## Course Information

**Instructor:** Kevin Andrew

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**Course Home Page:** There is a [course webpage](#) that contains the syllabus. However, all course content is available on [Moodle](#) to registered students.

**Lectures:** Wednesday 10:00-11:30 am and Friday 8:30-10:00 am in [Miller 201](#)

**Office Hours:** TBD

**Teaching Assistants:** Jier Pan: Dunning 337 [panj@econ.queensu.ca](mailto:panj@econ.queensu.ca), Jenny Watt: Dunning 321 ([wattj@econ.queensu.ca](mailto:wattj@econ.queensu.ca))

## 1 Course Description

The objective of this course is to help students understand important issues in macroeconomics through the use of economic theory. The emphasis will be on short to medium term fluctuations and their implications for fiscal and monetary policy.

The first part of the course discusses in detail issues related to specific sectors of the economy: [consumption, investment, housing, labour markets and product markets](#). The second part of the course builds on the first by integrating these sectors into a fully specified model of the macroeconomy. This model is then used to analyze fiscal and monetary policy in the short to medium run. We will also consider the implications of fixed and flexible exchange rate regimes in an open economy version of the model.

We will conclude the course by considering what aspects of the recent financial crisis and recession are not adequately addressed in the model. The aim will be to show that macroeconomics is an evolving field with many open research questions.

**Prerequisites:** The official prerequisites for the course are [ECON 222 \(Second Year Macro\)](#) and [MATH 120 \(First Year Calculus\)](#). It is strongly recommended that students take [ECON 255 \(Math for Econ Students\)](#) before taking the course. Students will need to be familiar with basic statistics and calculus; in particular constrained optimization.

If you are concerned about whether you have met the prerequisites for the course, please come see me and we can determine the appropriate course of action.

## 2 Textbook and Readings

**Text:** The required text is [Introducing Advanced Macroeconomics: Growth and Business Cycles](#) by P.B Sorensen and H.J. Whitta-Jacobsen (McGraw-Hill, 2010, 2nd Edition). It is available from the Queen's bookstore. As well, it has been used in the past so you may be able to purchase a used copy. Additional readings will be made available through [Moodle](#).

As a reference for the math and stats review you may wish to refer to [Fundamental Methods of Mathematical Economics](#) by Chiang and Wainwright. This was the text in ECON 255 and the relevant sections are cited in the math review notes.

## 3 Grading

There will be a math and stats review assignment, 4 regular assignments, a midterm exam and a final exam. The marks will be allocated as follows:

- Math/Stats Review: 5%
- Assignments: 40%
- Midterm Exam: 15%
- Final Exam: 40%

### Assignments

Assignments can be done in groups of up to 2 students. You may hand in one assignment per group, but make sure the names and student numbers of all group members appear in alphabetical order on the front page of the assignment. The content of the assignments will be highly correlated with the exams, so make sure all group members understand them. Answer guides will be provided shortly after the deadline. Unless there is a valid reason, late assignments will be penalized 10% per day and will not be accepted at all once the answers have been made available. [Assignments are a significant portion of your grade. They will be difficult, but they are meant to be learning experiences that will prepare you for the exams .](#)

### Exams

There will be no make up midterm exam. If you miss the midterm for a valid reason and [provide supporting evidence](#) , your midterm mark will be allocated to the final exam. Otherwise a grade of 0 will be assigned.

## 4 Course Schedule

### 4.1 Introduction: Course Themes and Stylized Facts

- Introduction and Course Themes (SWJ Chapter 1)
- Canadian Business Cycle Facts (SWJ Chapter 13)

### 4.2 Aggregate Demand

- Investment (SWJ Chapter 14.1-14.3)
- Housing (SWJ Chapter 14.4)
- Consumption and Savings (SWJ Chapter 15)

### 4.3 Monetary Policy and the Bank of Canada

- Monetary Policy Rules and The Demand Side of the Economy (SWJ Chapter 16)

### 4.4 Aggregate Supply and Unemployment

- Unemployment (Supplemental Notes)
- The Supply Side of the Economy and the Phillips Curve (SWJ Chapter 17)

### 4.5 Business Cycles and Stabilization Policy

- Understanding Business Cycles in an AD-AS Model (SWJ Chapter 18)
- Stabilization Policy: Why and How? (SWJ Chapters 19,20,21 and 22 [Will refine these readings as there are too many right now](#) )

### 4.6 Open Economy Macroeconomics

- Open Economy Macroeconomics (SWJ Chapter 23)
- AD-AS With Fixed Exchange Rates (SWJ Chapter 24)
- AD-AS With Flexible Exchange Rates (SWJ Chapter 25)

## 4.7 Open Questions in Macroeconomics: The Financial Crisis

# 5 Statement of Academic Integrity

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility ( [see this page](#)). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the “freedom of inquiry and exchange of ideas” essential to the intellectual life of the University ([see the Senate Report on the Principles and Priorities](#)).

Students are responsible for familiarizing themselves with the regulations concerning academic integrity. Information on academic integrity is available in the Arts and Science Calendar ([see Academic Regulation 1 on the Arts and Science website](#)). Departures from academic integrity include [plagiarism, use of unauthorized materials, facilitation, forgery and falsification](#), and are antithetical to the development of an academic community at Queen’s. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.

# 6 Disability Accommodations

Queen’s University is committed to achieving full accessibility for persons with disabilities. Part of this commitment includes arranging academic accommodations for students with disabilities to ensure they have an equitable opportunity to participate in all of their academic activities. If you are a student with a disability and think you may need accommodations, you are strongly encouraged to contact the Disability Services Office (DSO) and register as early as possible. For more information, including important deadlines, please visit [the DSO website](#).

# 7 Student Mental Health Resources

- Counseling Services: 613-533-6000 Extension 78264
- Queen’s Emergency Line: 613-533-6111
- 24-Hour Community Crisis Line: 613-544-4229