

**UNIVERSITY OF TORONTO AT MISSISSAUGA
DEPARTMENT OF ECONOMICS**

ECONOMICS 208Y5Y – Year 2006-2007

**MACROECONOMIC THEORY
Professor Gueorgui Kambourov**

Lectures: Monday, 10:00am – 12:00pm, in Room NE 172.
Tutorials: Friday, 11:00am – 12:00pm, in Room NE 172.
Instructor: Prof. Gueorgui Kambourov
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Office Hours: Monday, 1:30pm – 2:30pm.
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Course Webpage: <http://www.chass.utoronto.ca/~gkambour/teaching/eco208/eco208.htm>

Course Objectives

Economics 208 deals rigorously with topics such as the theory of output, consumption, investment, employment and unemployment, economic growth, business cycles, the price level, and central banking.

Required Textbook

The recommended textbook for the course is: Stephen D. Williamson, *Macroeconomics*, Canadian edition, Pearson Addison Wesley, 2004.

Evaluation

Your grade in this course will be based on: term tests (60%), problem sets (5%), and a final exam (35%).

There will be four term tests – two of them in the Fall/Winter term and two in the Spring term. The final exam will be at the end of the school year. There will also be around 8 problem sets. For each one of them, there will be a problem session (on Fridays) where your answers will be collected and a solution explained.

Note: There are no make-up tests. Students that miss a test and bring me a timely justification for their absence will get the weight of their final exam adjusted to compensate for the extra missing mark. The justification for a missing test should be brought to me in a week or less of the date of the test.

Course Outline

PART I: Introduction and Measurement Issues.

1. Introduction (Ch. 1).
2. Measurement (Ch.2).
3. Business Cycle Measurement (Ch. 3).

PART II: A One-Period Model of the Macroeconomy.

4. Consumer and Firm Behavior: The Work-Leisure Decision and Profit Maximization (Ch. 4).
5. A Closed-Economy One-Period Macroeconomic Model (Ch. 5).

PART III: Savings, Government Deficits, Investment, and Growth.

6. A Two-Period Model: The Consumption-Savings Decision and Ricardian Equivalence (Ch. 6).
7. A Real Intertemporal Model with Investment (Ch. 7).
8. Economic Growth (Ch. 8).

PART IV: Money and Business Cycles.

9. A Monetary Intertemporal Model: The Neutrality of Money, Long-Run Inflation, and Money Demand (Ch. 9).
10. Keynesian Business Cycle Theory: The Sticky Wage Model (Ch. 10).
11. Market-Clearing Models of the Business Cycle (Ch. 11).

PART V: International Economics.

12. International Trade in Goods and Assets (Ch. 12).
13. Money in the Open Economy (Ch. 13).

PART VI: Money, Banking, Unemployment, and Inflation.

14. Money, Private Banking, and Central Banking (Ch. 14).
15. Unemployment: Search and Efficiency Wages (Ch. 15).
16. Inflation, the Phillips Curve, and Central Bank Commitment (Ch. 16).

Prerequisites:

Prerequisites are strictly checked and enforced and must be completed before taking a course. By taking this course you acknowledge that you will be removed from the course at anytime if you do not meet all requirements set by the Department of Economics. For further information you can consult the Undergraduate Academic Handbook which is found on the Economics Department website <http://www.utm.utoronto.ca/academic/eco/index.html>. It can also be found in the 2006-2007 Courses Calendar which is available from the Registrars Office.

Announcements:

Please make it a habit of checking the Economics Department website for current announcements regarding courses (i.e. class cancellations). The website is as follows:
<http://www.utm.utoronto.ca/academic/eco/announcement.htm>

Teaching Assistants:

Teaching assistant hours and email information will be posted on the economics website at <http://www.utm.utoronto.ca/academic/eco/TARoom.htm>

Academic Misconduct:

Students should note that copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

Students agree that by taking this course all required papers may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.