



UNIVERSITY OF
SASKATCHEWAN

Department of Economics

ECON 801.3 (01) MACROECONOMIC THEORY

T1: 2021/22

Course Details

Time:	Tuesday and Thursday, 14:30-15:50 The first class will be on September 14.
Location:	ARTS 212
Course Description:	A survey of macro-economic theory, and includes theories of the consumption function, theories of investment, money and interest rates, monetary and fiscal policy, and general equilibrium theory.
Website:	Some materials will be available on Canvas.

Expected Learning Outcomes

This course introduces the main concepts needed to understand and model national economies. Upon successful completion, students will be familiar with theories of household and firm behaviour as well as the role and constraints of macroeconomic policy; they will be able to construct and apply dynamic general equilibrium models to determine economic outcomes in the short and the long run; and they will understand the functioning and the role of labour markets, capital markets, and money.

Instructor

Andreas Pollak Phone: 966-5221
Arts 812 E-mail: a.pollak@usask.ca (preface subject with "ECON801")
Office Hours: Tuesday and Thursday 13:15-14:00 or by appointment

Textbooks

Required Textbook:

Michael Wickens: *Macroeconomic Theory. A Dynamic General Equilibrium Approach*, second edition, Princeton University Press, Princeton and Woodstock, 2011. [referred to as **W**]

Other relevant books:

Maurice Obstfeld and Kenneth Rogoff: *Foundations of International Macroeconomics*, MIT Press, Cambridge (MA) and London, 1996. [referred to as **OR**]

Christopher Pissarides: *Equilibrium Unemployment Theory*, MIT Press, Cambridge (MA) and London, 2000.

These books may serve as an additional reference for certain chapters. They are available in the library.

I assume that students have a solid background in macroeconomics consistent with a four-year undergraduate degree. If you think that you might need to refresh your background, please contact the instructor to discuss possible readings.

Tentative Course Outline and Readings

1. Introduction
W, Chapter 1.1-1.3
W, Chapter 17.2, 17.5-17.6
2. Dynamic General Equilibrium
W, Chapters 2.1-2.6, 4.1-4.4, 4.6-4.10
OR, Chapters 1, 2
3. Asset Pricing
W, Chapter 11
OR, Chapter 5
4. Fiscal Policy and Debt
W, Chapter 5 (pp. 90-121)
OR, Chapter 3
5. The Open Economy
W, Chapter 7.1-7.2, 7.6-7.7
OR, Chapters 1, 2

Optional topics:

6. Economic Growth
W, Chapter 3
N. Gregory Mankiw; David Romer; David N. Weil (1992): "A Contribution to the Empirics of Economic Growth," *The Quarterly Journal of Economics*, Vol. 107, No. 2. (May, 1992), pp. 407-437.
7. Unemployment and Job Search
Pissarides, Chapter 1.1-1.5
W, Chapter 10
8. Money, Prices and Inflation
W, Chapter 8.1-8.6, 8.10-8.13
OR, Chapter 8
9. Money and Informational Frictions
Wallace, Neil (1992): "The Lucas Signal Extraction Model. A Finite State Exposition with Aggregate Real Shocks," *Journal of Monetary Economics* 30, pp. 433-447.
Walsh, C.E.: *Monetary Theory and Policy*, 3rd edition, MIT Press, 2010, Chapter 5.2
OR, Chapter 8
10. Money, Sticky Prices, and Monetary Policy
W, Chapters 9,14
Richard Clarida & Jordi Galí & Mark Gertler, 1999: "The Science of Monetary Policy: A New Keynesian Perspective," *Journal of Economic Literature*, American Economic Association, vol. 37(4), pages 1661-1707, December.
Jordi Galí: *Monetary Policy, Inflation, and the Business Cycle*, Princeton University Press, 2008, Chapters 3 to 5.
Walsh, C.E.: *Monetary Theory and Policy*, 3rd edition, MIT Press, 2010, Chapters 6, 7 and 8

Required readings for each topic are printed in **bold** font.

Please note that this is a tentative list of topics, and that both the course outline and the list of readings may be updated during the term. We will likely cover topics 1-5, as well as at least one of the optional topics 6-10.

Evaluation

There will be three components to your grade:

Component	Date	Weight
Assignments	TBA	15%
Midterm Exam	November 2	20%
Final Exam	TBA	65%

The weight of the midterm will be shifted to the final if this results in a better overall grade.

Assignments:

There will be several assignments, covering all major topics of the course. If you receive help from any source (book, another person, website) you must cite it on your assignment. Failure to cite could be construed as academic dishonesty. You will have at least one week to complete each assignment. While you are encouraged to cooperate solving the assignments, I expect the answers that are handed in to reflect students' individual contributions. Late assignments will not be accepted. The assignment with the lowest mark will not be used in the calculation of your overall grade. Some answer keys may be posted on Canvas, and the assignments will be discussed in class.

Exams:

There will be an 80-minute midterm exam and a 180-minute final. Exams will be cumulative and test your understanding of the subject material and your ability to analyse and formulate solutions to specific problems. The assignments are intended to assist you in the preparation for the exams, but note that exam questions are typically different from assignment questions. The exams are closed book. No electronic devices will be permitted during the exams, with the exception of simple calculators.

Missed Components:

If assignments or the midterm exam cannot be completed for a justifiable reason, it may be possible to make alternative arrangements *prior to* the due date at the instructor's discretion. If no such arrangements are made and the component is missed, a grade of 0 will be assigned, unless the student provides written documentation of circumstances beyond his or her control that prevented him or her from completing the assignment on time. (This documentation typically takes the form of a doctor's note.)

Attendance:

University policies apply. Regular attendance is recommended.

Grading System:

See <https://students.usask.ca/academics/grading/grading-system.php> for a description of the percentage grading system used in this course.

Grade Distribution: See <http://usask.pollak.org/?teaching> for the historic grade distribution for this course.

Academic Integrity

Please note that academic dishonesty is subject to severe penalty at the University of Saskatchewan. Any form of conduct not in line with the general standards of academic integrity, including cheating and plagiarism, will not be tolerated.

This course will conform to the usual academic requirements and standards. Please familiarize yourself with the expectations regarding academic integrity at the University of Saskatchewan (<https://libguides.usask.ca/AcademicIntegrityTutorial>) and the regulations on academic misconduct (<https://governance.usask.ca/student-conduct-appeals/academic-misconduct.php>).