

Department of Economics
Carleton University
Econ 2102B--Intermediate Macroeconomics I

Instructor: Stephen Ferris

Fall 2009

Office: A801 Loeb

Class Hours: Monday and Wednesday 11:30 – 1:00; Tutorial every second week

Office Hours: Monday 1:30 – 3:00; Thursday 1:00-2:30.

Email: stephen_ferris@carleton.ca

COURSE PREREQUISITES: ECON 1000 or FYSM 1003 with a grade of C- or better and ECON 1402 (or equivalent) which can be taken concurrently. Precludes additional credit for ECON 2101. If you believe that you have an equivalent background or a similar course from another university, you must complete the Prerequisite Waiver form as found on the Economics Website at www.carleton.ca/economics.

A grade of C- or higher is required in ECON 2102 for continuation into ECON 2103. For further continuation in ECON 4201 a grade of C+ is required.

Required Text: N Gregory Mankiw and William Scarth, *Macroeconomics*, 3rd Canadian Edition 2007, New York: Worth Publishing

(NOTE- earlier editions of the text, or its American counterpart may be used, but students are responsible for making sure that the chapter content is consistent with the current edition.)

Grading:

Two Mid Term Tests,	1.	Wednesday October 7	33.3%
		(make-up test Saturday October 17, 10:00 am)	
	2.	Wednesday November 11	33.3%
		(make-up test Saturday November 15, 10:00 am)	
Final Exam , in the examination schedule			33.3%

Special features of the grading system:

The term work of the course consists of two mid-term tests that make up two thirds of the course grade. If any mid-term is missed, there is a scheduled make-up test that will be held on Saturday of the following week that the student must write (see dates above). Should a student miss both the test and the make-up without submitting a valid written reason(s) for their absence at both, a grade of zero will be assigned. Should both mid-terms and their make-ups be missed, the student will have forfeited two thirds of their grade and hence not be in good standing going into the final exam. An FND (fail no deferral) for the course will apply and permission to write the deferred final will not be granted.

Topics covered in relation to the textbook:

1. Introduction, The Science of Macroeconomics, Chapter 1
2. National Income Accounting Through the Circular Flow Diagram, Chapters 2, 3
3. Long Run Potential Output, Chapter 3, Section 3-1
4. Aggregate Supply in the Long Run, Chapter 7
5. Growth and the Solow Model, Chapter 7
6. Policy for the Long Run, Chapter 8

Mid Term Test #1 --October 7

7. The Simple Keynesian Model, Chapter 9; Chapter 3-3, 3-4;
8. Fiscal Policy, Walras Law and General Equilibrium Analysis; 10-1
9. The derivation of the IS curve, Slope and Shifts, Chapter 10-2
10. The derivation of the LM Curve, Slope and Shifts, Chapter 10-3
11. Working with the IS-LM Model, Chapter 11
12. Monetary and Fiscal Policy in the Short Run, Chapter 11

Mid Term Test #2 --November 11

13. The Open Economy-- Foreign Exchange Market, Chapter 8
14. Modifying the IS-LM for exports and imports, Chapter 12
15. IS-LM-BP with trade only, Chapter 12
16. Modifying the analysis for Capital Flows, Chapter 12
17. IS-LM-BP Analysis under fixed and flexible exchange rates, Chapter 12
18. Response to a change in world interest rates, Chapter 12

Final exam--in the examination schedule

Course Description:

This is the first half of a two sequence course designed to help you understand how the economy functions at the aggregate level. It attempts to take you to the point where you can begin to answer questions like what triggers the business cycle and inflation; what is the function of monetary and fiscal policy and how do they work; and does it matter to the effectiveness of economic policy if the economy is open to foreign trade (like Canada) or closed to external influences, etc. In this course we develop a set of macroeconomic models to analyze the very long run and the very short run. The intermediate case is developed and discussed in the following course, Econ 2103. The **first mid-term test** focuses on the long run supply side of the economy and the factors that determine the growth rate of the economy. The **second midterm test** covers the beginning of short run analysis (of aggregate demand) from the simple Keynesian Model to its extension to the fixed-price IS-LM model in a closed economy setting. The **third midterm test** (i.e., the final exam) extends the short run, fixed price IS-LM model to the open economy and covers the difference that it makes to closed economy analysis if the economy is connected through trade in both goods and financial assets with the rest of the world through either fixed or flexible exchange rates.

Please note that the text is not a substitute for the lectures and that mathematics **will** be used together with **problem sets (posted on WebCT)**. The problem sets will not be marked for credit but are recommended to students wishing to improve their understanding of classroom material. The course will have an accompanying tutorial that will be held every second week. Its purpose will be to discuss the solutions to the problem set in detail. The questions on the mid-term tests will be similar (but not identical) to those asked in the problem sets. All of this material will be available on webct.

Note that the final exam is a required part of the course. Should the final exam be missed for any reason, a grade of ABS will be given and the student must arrange to rewrite the final through the registrar's office. Should a deferred exam be granted by the registrar's office, the exam will be written in the time period set out in the calendar. Special final exams (or mid-terms) will not be given.