

THE UNIVERSITY OF PRINCE EDWARD ISLAND
DEPARTMENT OF ECONOMICS
ECONOMICS 204
INTRODUCTORY MACROECONOMIC
Winter 2012

Course Instructor: George Jia
Class Room and Time: RL 235; T, TH 11:30-12:45
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Office Hour: T 1:00-2:00pm W 1:00-2:00pm

General Information

The goal of this course is to provide an introduction to macroeconomics, its objectives and its tools. The questions we will discuss are: how do people decide to consume and invest? how do they decide to supply labor? how do these decisions affect the economy at the aggregate level? why is there growth? why are there such large income differences across countries? what are the determinants of interest rates and wage rates? etc... These questions are difficult. To address them in a systematic way, we will make the hypothesis that agents make rational decisions and that markets are in equilibrium. Put together, these assumptions provide a powerful framework to understand the actual economy.

Required Text and Outline

The required text for this course is: **Williamson, Stephen D. *Macroeconomics*, 3rd Canadian edition, Addison Wesley.** Topics covered will somewhat follow the above text¹:

1. Introduction

- Intro and Measurements [Ch 1 & 2]
- Business Cycles [Ch 3]

2. Static Models

- Consumers: Preferences, budget constraint and optimal labor supply [Ch 4]
- Firms: Technology, profit maximization and optimal labor demand [Ch 4]
- Governments: Spending and taxes [Ch 5]
- Equilibrium [Ch 5]

3. Economic Growth

¹This is a tentative outline and content may be adjusted based on time constraints. Some material covered in class will not appear in the text, but may still appear on exams.

- The Malthusian model of growth [Ch 6]
- The Solow model of growth [Ch 6]
- Human Capital as engine of growth [Ch 7]

4. Dynamic Model

- A two-period model: The consumption saving decision and the Financial market [Ch 8]
- International economy [Ch 8]
- The determination of the equilibrium interest rate [Ch 8]
- Government and public debt: The Richardian equivalence [Ch 8]
- Social securities [Ch 8]

5. Real Intertemporal Model

- A real inter-temporal model [Ch 9]

Course Evaluation

Evaluation consists of (best two out of) three take-home assignments, two in-class midterms and one final exam (cumulative). **Only the two best assignments out of three will be counted towards your final grade.** Location and date for the final exam will be announced during lectures

	tentative date and time	weight
Assignment 1	Tu, February 2nd	10%
Midterm 1	Th, February 9th	20%
Assignment 2	Th, March 8	10%
Midterm 2	Th, March 15	20%
Assignment 3	Th, April 12th	10%
Final	December	40%

Each of the two midterm exams will be 75 mins long. The final exam will be 2 hours long. All the tests are cumulative (with emphasis on the material covered since the last examination). There will be no make-up midterm tests. In case a student misses a midterm due to sickness or other acceptable excuse the student must present an official document justifying the absence and the weight of that test will be added to the one of the final exam. In case of lack of justification for the absence a grade of zero will be attributed.

You are responsible for all content covered in the lectures and in the assigned chapters of the textbook. Some chapter content may not be covered in lectures and some lecture content may not be in the textbook.

Electronic Devices: The only electronic device you may use during exams is a non-graphing, non-programmable calculator. Graphing/programmable calculators, cell phones,

Ipods, etc. must be kept in your bag. If you have any of these devices out during an exam it will be taken from you and will be returned once you have handed-in the exam.

Academic dishonesty: Academic dishonesty are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a academic dishonesty, at the following Web site: <http://www.upei.ca/registrar/reg20>