

**Department of Economics  
University of Toronto at Mississauga**

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**ECO209Y5Y – MACROECONOMIC THEORY**

Professor Andrés Erosa

**Fall 2007/Winter 2008**

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**Instructor: Andrés Erosa**

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**Office Address** Room K266 Kaneff Centre  
**Phone number** (905) 569-4765 and (416) 978-1840  
**Email** [andres.erosa@utoronto.ca](mailto:andres.erosa@utoronto.ca)  
**Webpage:** <http://www.chass.utoronto.ca/~aerosa>  
**Lectures:** Wed 2-4pm, NE 172  
**Tutorials:** Friday 10-11am, NE 292

**Office Hours:** Wednesday 1 to 2 pm.

**Course objectives:**

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Economics 209 deals rigorously with topics such as the theory of output, employment and the price level, techniques for achieving economic stability, central banking and Canadian financial institutions and markets, foreign exchange markets and the exchange rate. The course is strongly recommended for students contemplating graduate school.

**Course materials:**

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**Required:** Stephen D. Williamson, *Macroeconomics*, Addison Wesley, 2007.

**Course Website:** <http://www.chass.utoronto.ca/~aerosa/teaching/eco209/eco209.html>

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**Prerequisites:** ECO100Y (63%);  
MAT132Y5/133Y5(60%)/134Y5/135Y5(60%)/138Y5(55%)

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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 in the Economics Department Office, Kaneff Center Room 121. It can also be found in the 2007-2008 Courses Calendar which is available from the Registrars Office.

**Grade allocation:**

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There will be three term tests scheduled and a final examination. (Note that February 17, 2008, is the last day to cancel the course without academic penalty). The best two out of three term tests count for 50% (each for 25%) and the final examination for the remaining 50%. There will be problem assignments, but they will not be collected. The TA will go over some of the assignments in the tutorials

**The test rooms will be determined later.**

	First Term Test	Second Term Test	Third Term Test	Final Exam
Date Time	Friday Nov. 16, 2007 10:00-11:00	Friday Jan. 25, 2008 10:00-11:00	Friday March 14, 2008 10:00-11:00	TBD

**Note:** You are required to take all the three term tests. There are no make-up tests. Students that miss one test (with or without justification) will be evaluated with the remaining two tests. Students that miss more than one 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.

**Re-grading:**

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For re-grading your term tests, you should submit your test papers and a detailed request to the Economics Department or me within 2 weeks after posting the grades on the website. After that no request is accepted. In revision your grade can go either way, up or down.

**Announcements:**

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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:**

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

**Website and Email:**

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I will post problem sets, solutions, announcements, and other related materials on course website. It is your responsibility to follow up and get the information about tests, makeup test, exam, and other issues. Emails are used only as the last resort, and after checking the outline and website. For questions regarding the course materials you should talk to me or TA during the office hours. In case of email, you should put your **last name and student ID# in the subject line, otherwise your email will not be read.**

## **Academic misconduct:**

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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.

## **Detailed Course Outline:**

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PART I: Introduction and Measurement Issues.

1. Introduction.
2. Measurement.
3. Business Cycle Measurement.

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

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

PART III: Economic Growth.

6. Economic Growth: Malthus and Solow.
7. Income Disparities Across Countries and Endogenous Growth.

PART IV: Savings, Government Deficits, and Investment.

8. A Two-Period Model: The Consumption-Savings Decision and Ricardian Equivalence.
9. A Real Intertemporal Model with Investment.

PART V: Money and Business Cycles.

10. A Monetary Intertemporal Model: The Neutrality of Money.
11. Market-Clearing Models of the Business Cycle.
12. Keynesian Business Cycle Theory: The Sticky Wage Model.

PART VI: International Economics.

13. International Trade in Goods and Assets.
14. Money in the Open Economy.

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

15. Money, Inflation, and Banking.

16. Unemployment: Search and Efficiency Wages.

17. Inflation, the Phillips Curve, and Central Bank Commitment.