

**MCGILL UNIVERSITY**  
**ECONOMICS 330D1 (Section 01, CRN 1671)**  
**MACROECONOMIC THEORY (MAJORS), FALL 2017**

**COURSE REQUIREMENTS AND READING LIST**

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Office Hours: Tu 1.30 – 2.15 p.m.

**Fall term, 2017.**

**NOTE ON THE TWO SECTIONS OF ECON 330D**

ECON 330D has two sections, with different instructors, different content, different textbooks and different evaluation methods (exams, etc.) – as well as different class times. Therefore, choose one section and stick to it.: switching between sections during the year poses too many problems.

**ON THE FALL AND WINTER TERMS OF SECTION 1 OF 330D**

This year, the Fall and Winter terms of section 1 will be taught by different instructors. Each instructor will specify the textbook and evaluation methods, etc., relevant to the term they teach. Each term will have a weight of 50% in the final course grade. Each term will have its own exam, with the exam in December based on the content of the Fall term and the exam in April based on the content of the Winter term. However, the deferred exam and the supplementary exams will be based only on the winter term. [See below for further details on this].

**GENERAL PURPOSE OF THE FALL TERM OF SECTION 1 OF ECON 330D**

**Macroeconomics is one of the two (the other being Microeconomics) fundamental components of economics, so that no study of economics can be complete without a good knowledge of it. It also underlies many of the more specialised subjects in economics. Its understanding is essential to understanding economic policies pursued by central banks and governments.**

**Macroeconomics is also one of the most interesting parts of economics. Many find it to be the most interesting part. Its knowledge is essential for understanding what determines such important issues as the standard of living, economic growth, inflation, recessions and booms in the economy and the unemployment rate, the role and pursuit of economic policies by the government and the central bank, etc.**

This course has two main objectives. One of these is for the students to acquire a rigorous understanding of macroeconomic analysis. This will be imparted through the use of verbal arguments, diagrams and high school mathematics. While some knowledge of calculus makes it easier to understand many of the theories in economics, this course will not require such prior knowledge. However, the ability to manipulate simple equations and do other derivations at the level of high school mathematics will be presumed and is essential to doing well in this course.

The second objective of the course is for the students to learn to *apply* economic analysis to explanations of the macroeconomic aspects of the economy. This requires knowledge of particular aspects of the actual economy, their representation in numerical data and diagrammatic forms, and the ability to interpret the patterns in the data and graphs, so that economic analysis can be used to explain the discerned patterns.

Attendance at all the lectures is essential.

The exams will require knowledge of the material conveyed in the lectures, in the textbook, posted on myCourses and any other items/materials discussed in the class (even though these may not be in the textbook or posted on myCourses). Attendance at all the lectures is important for answering questions on this material.

#### CLASS DISCUSSIONS ON TOPICAL MACROECONOMIC ISSUES:

Besides the lectures on the material covered by the textbook, I intend to devote a part of each class to a general discussion of macroeconomic issues raised by the students. The students are expected to read the business sections of newspapers and magazines. They will be free to raise any macroeconomic questions that they wish. Each student will be required to participate in the class discussions. Some of the questions in the exams are likely to be based on topics covered in these discussions.

[If any student would also like to discuss a specific published article, he or she can give me a photocopy of the relevant article in advance and we will discuss it in a subsequent class.]

#### **Contacting me:**

While I try to respond to emails sooner or later, the average time for me to respond is about five working days (i.e., excluding holidays). But there is no guarantee that I will respond to all emails: I usually do not respond to emails with questions that should have been asked in the class or in the conferences (especially if other students in the class can also benefit from the questions and the answers) and questions related to info which is already on myCourses. I especially do not respond to emails about the info that is in the reading list or available on myCourses on the dates of the exams or when the exam papers would be returned, since I repeat this info at least a couple of times in the class. I also do not respond to emails about whether the mid-term exam paper can be collected from me in my office or what the grade is: students should attend the class on a regular basis and pick up the mid-term exam papers when they are handed back in the class. I never return mid-term exam papers, or give out the grade on them, in my office.

**McGill University's Statements:**

*In accord with McGill University's Charter of Students' Rights, students in this course have the right to **submit in** English or in French any written work that is to be graded.*

**Integrity** -- McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see <http://www.mcgill.ca/integrity> for more information).

*In the event of extraordinary circumstances beyond the University's and instructor's control, the content and/or evaluation scheme in this course is subject to change.*

*L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site <http://www.mcgill.ca/integrity>).*

**Plagiarism and the use of Text-matching software** -- Text-matching software may be used in this course to verify the originality of students' written course work. Students considered to have committed plagiarism would be referred to the Faculty and their submission will be heavily penalised. See [www.mcgill.ca/files/students/Text-Matching-Policy-on-English.pdf](http://www.mcgill.ca/files/students/Text-Matching-Policy-on-English.pdf) for more information.

*According to Senate regulations, instructors are not permitted to make **special arrangements for final exams**. For further information, consult the Calendar, section 4.7.2.1, General University Information and Regulations at [www.mcgill.ca](http://www.mcgill.ca).*

**TEXTBOOK:**

**JAGDISH HANDA, *MACROECONOMICS*, World Scientific Press, 2010.**

**ADDITIONAL MATERIALS:**

Additional questions on each of the chapters, past exam papers, and other materials will be posted on myCourses. Do check the course on the myCourses site regularly.

**COURSE REQUIREMENTS AND EVALUATION:**

**Attendance:** Attendance in all classes and in at least one conference each week is mandatory. Class discussions are an integral part of this course. The exams will definitely include some questions on materials *not* covered in the textbook or on myCourses, but covered in class discussions, so that failure to attend classes would be detrimental to the final grade in the course.

**Dates and coverage of the mid-term exam:** The date of this exam will be announced in class and posted on myCourses at least two weeks in advance of the mid-term exam. This exam will be based on Chapters 1 to 4 of the textbook.

Mid-term exam for the Fall term: Thursday, 26 Oct, 2017

Worth 15% of the final grade for the course (and 30% of the Fall term grade).

Final Examination for the Fall Term (in December):

Worth 35% of the final grade for the course (and 70% of the Fall term grade).

[See later for the weight on this exam if the mid-term exam is missed].

**Return to the students of the exam papers:** After grading, the students' answer books for the mid-term exam will be handed out at the ends of two classes *only* (unless a medical note is provided covering that period, in which case, come and see me in my office and collect the item ). They cannot be collected from my office or in

any other way. If you miss the first time they are handed out, be sure to attend the following class and collect it at the end of that class. The grades obtained on the mid-term answer book and the final exam are indicated on them; they will not be supplied in reply to email enquiries or by coming to my office.

### **Re-grading procedure for the mid-term exam**

The procedure for the re-grading of the mid-term exam is as follows: within one week of the second class at which your exam paper is returned, you can return it to me and request a 're-read'. If you think that you deserve a higher grade, you must within this week give me a written explanation of why it should be higher. Re-grading will not be done after this period. A request for a higher grade will result in a re-grading by me of your entire paper. The new grade will replace the old one and could be higher or lower than the initial one.

### **Return of the exam papers and re-grading procedure for the December exam**

The procedure for pick-up of the Fall exam papers will be specified later in the class and on myCourses.

The procedure for the re-grading of the December exam is as follows: You can request a 're-read' of the December exam up to 17 January, 2018. To do so, send me an email with this request and put your exam paper in my mailbox in the department office. Your note requesting the re-read must include an explanation of why your exam grade should be higher. Re-grading cannot be requested after this period. A request for a higher grade will result in a re-grading by me of your entire paper. The new grade will replace the old one and could be higher or lower than the old one.

**DATES OF THE EXAMS:** The date of the mid-term exam will be announced one week earlier in the class. The date of the December exam is set by the Faculty of Arts and is during the official exam period. It is the responsibility of the students to become informed of the dates and material covered for the exams.

**MISSED MID-TERM EXAM (WORTH 30% OF THE FALL-TERM GRADE):** If you miss -- or choose not to do -- the mid-term exam, the weight on the December exam will be correspondingly increased. Medical or other notes are not required for missing the mid-term exam. *Warning:* do not plan/choose to miss this exam. Doing so will mean that you will learn less in the course and that you will incur the risk of a higher weight on your final examination.

**MISSED DECEMBER EXAM (WORTH 70% OF THE FALL-TERM GRADE):** If you miss the December exam, the weight on the final course exam in April will be correspondingly increased. Except in special circumstances, I will not approve this arrangement unless a medical note is submitted to me. If such an arrangement is not approved by me, the Fall term grade will be as computed under the preceding arrangements.

Notes:

- Supplementary and deferred exams will not be set for the Fall term exams.
- The weights on the exams will not, and cannot, be altered from the above procedures and specifications.
- There will be **no make-up exams**, and special arrangements will not be made for any students.

**APRIL EXAM:** this will be based on the material covered only in the winter term. Please see the reading list for the winter semester for the requirements and tests, exam, etc., of that semester.

**SUPPLEMENTARY EXAM** (worth 100%), **DEFERRED APRIL EXAM** (will replace the final course exam and have the same weight as the final exam). The format and coverage of both these exams will also be that of the final (April) exam. For these exams, please see the reading list for the winter semester for the requirements and tests, exam, grading, etc., of that semester.

**HOMEWORK FOR THE FALL TERM:** Students are required to do all the problems and questions at the end of the chapters of the textbook. This work is not to be handed in for correction or grading but will form the basis for the conferences with the teaching assistants.

**EXAMINATIONS** will be based on material covered in the class and conferences, in the textbook, in the Study Guide, materials placed on myCourses and in any other assigned readings.

**CALCULATORS:** You will need a non-programmable calculator for this class and its exams. You will not be allowed programmable calculators in the exams. If you bring a programmable calculator to the exams, you will not be allowed its use and will have to do your calculations manually.

**CONFERENCES (with the TA) DURING THE FALL TERM:** Attendance at least one of the conferences each week is a required part of the course. They will start in the third week of the Fall term.

*TA AND CONFERENCE TIMES FOR THE FALL TERM:*

Time	Room	TA
M 4-5pm	Leacock Building 424	Samridhi Sharma
W 12-1pm	Leacock Building 517	Yiran Gong
Th 10-11am	Peel 3465, room 102	Samridhi Sharma
F 12-1pm	Ferrier Building 422	Yiran Gong

**ECON 330D (Section 01), FALL 2017  
READING LIST**

*Part I: Introduction*

1. INTRODUCTION: OUTPUT, UNEMPLOYMENT AND BASIC CONCEPTS
2. INTRODUCTION: MONEY, PRICES, INTEREST RATES AND FISCAL DEFICITS
3. INTRODUCTION TO THE OPEN ECONOMY

*PART II: Aggregate demand in the economy*

4. DETERMINANTS OF AGGREGATE DEMAND
5. AGGREGATE DEMAND IN THE OPEN ECONOMY UNDER AN INTEREST RATE OPERATING TARGET: IS-IRT ANALYSIS
6. AGGREGATE DEMAND UNDER A MONEY SUPPLY OPERATING TARGET: IS-LM ANALYSIS.  
[Note: this chapter will be omitted this year from the course and its exams. Students who want to learn the IS-LM analysis can do this chapter on their own.]

*PART III: The determination of output and employment*

7. FULL-EMPLOYMENT OUTPUT AND THE NATURAL RATE OF UNEMPLOYMENT
8. OUTPUT IN THE SHORT-RUN
9. ACTUAL OUTPUT, DISEQUILIBRIUM, AND THE INTERACTION AMONG MARKETS

**WINTER TERM:**

The winter term of this course will be taught by another instructor, who will specify its reading list and requirements, etc.

**CHEATING:** DO NOT cheat. The regulations governing cheating are set and administered by the Faculty of Arts.