

ECO 2143: Macroeconomic Theory II
Winter 2013

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Course Description

This section forms the second part of an intermediate course in macroeconomic theory. Macroeconomics is the study of *global economic phenomena*, at both country and world levels. Such phenomena include the evolutions of per capita income levels, rates of output growth, poverty, welfare, inequality, unemployment, inflation rates, interest rates, and foreign exchange rates.

While the first part of this course considered the short and medium run study of macroeconomics, this second part is devoted mainly to long run phenomena. The objective is to better understand what determines economic wealth, growth and well-being in the long run. To this end, some historical facts are explained with the help of elementary theories of growth. The roles of savings and accumulations of physical and human capitals are considered along with that of a country's institutions. The concept of productivity growth is introduced and put in relation with the innovation and competitive processes. The importance of the roles played by population growth, natural resource endowments, globalization and inequality are considered.

A final section of this course returns to issues pertaining to the short and medium run. Its objective is to introduce students to the roles played by uncertainty and expectations in explaining macroeconomic fluctuations.

Evaluation

There will be two mid-term (1.5 hour) and one final (3 hour) examinations, with weights of 20% and 50% respectively. Unless otherwise noted, mid-term examinations will take place on Mondays **January 28th** and **March 4th**. The date of the final exam is to be determined by the Faculty. There is no provision for make-up exams.

A set of exercises will be assigned weekly. Each must be clearly individually hand-written on properly attached clean blue lined loose leaf paper 8.5" × 11" (e.g., not ripped out of a spiral book) and submitted in person on the following week, that is, Monday at 10h00 sharp before the class begins. (Due to the large size of the audience, there cannot be any exception to this rule. Please respect it.) Those assignments will globally count for 10% of the final mark. The purpose of weekly assignments is only to encourage students to work regularly and be up to date with the material. For this reason, they will not be corrected in detail; rather, detailed solutions will be provided on the course's website, usually by Monday afternoon. The corrector will only look for assiduity in answering the questions, not for right and wrong answers.

Textbook and Resources

- The course's material is based primarily on the textbook titled *Economic Growth 3rd ed* by David Weil, Addison Wesley, 2012. Its reading is mandatory. It has been ordered through the University Bookstore. An electronic online version is also available under various forms at <http://www.coursesmart.com/economic-growth-third-edition/david-n-weil/dp/9780321824257>. (The first and second editions will do also. The main difference between them is updated data. You are however responsible for ensuring that you answer the problems assigned out of the third edition.)
- Additional classnotes will be posted on the course's website as the course progresses.
- New slides and detailed solutions to exercises will be posted weekly on the course's website. Students must consult the course's website weekly for eventual updates and information that the professor may have omitted during class.

Topics¹

1. The Long Run
 - (a) Some historical facts about economic growth and development
 - (b) The proximate causes of economic development
 - i. Factor accumulation and saving; Physical capital; Human Capital; The Solow model
 - ii. Technological progress
 - iii. Population growth; Malthusian growth; The fertility transition
 - iv. Trade; Comparative advantage; Foreign direct investment; Globalization
 - v. Efficiency
 - (c) The fundamentals
 - i. Government
 - ii. Institutions
 - iii. Natural resources; Geography; The environment
 - iv. Inequality
2. Extensions to short and medium run macroeconomics: Uncertainty and expectations
 - (a) The basic tools
 - (b) Financial markets and expectations
 - (c) Expectations, consumption, and investment
 - (d) Expectations, output, and policy

¹Topics and their timing are subject to change.

About examinations

(Some of the following are excerpts taken from *Regulations for Undergraduate Studies*.)

During examinations or tests, students are prohibited from using electronic devices or any other communication tool that has not been approved beforehand. Any such device or tool must be shut off, stored and out of reach.

Note from the University of Ottawa Health Service Exam Deferral Procedures

Too sick to write your exam?

If you believe you are too sick to write an exam, you should consult a medical doctor **BEFORE** the exam. Seeing a doctor at the University of Ottawa Health Services is one option. If possible, it is preferable to schedule an appointment; however, there is always a doctor available to see patients without an appointment. We will do our best to ensure that students are seen promptly when they have an exam on the day they visit the clinic.

Our physicians will be pleased to speak with you, examine you, and offer advice to help you with your medical problem. If you fit the criteria set by the University to defer an exam for medical reasons, a certificate will be issued to you to give to your faculty. Please note that we are willing to assess and treat **ANY** medical problem, no matter how serious or minor. However, only students with a **SERIOUS** illness will be granted a medical deferral for an exam. Examples of illnesses acceptable for exam deferral include high-grade fever or admission in a hospital at the time of the exam. **Colds, diarrhea, headaches, menstrual cramps, insomnia and caffeine overdose may benefit from medical advice to ease symptoms, but they are NOT acceptable reasons to defer an exam.** Feeling unwell the day or two prior to an exam, leaving you inadequate "cramming time", is also **NOT** an acceptable reason to defer an exam. If you are feeling unwell and are not sure if your illness meets deferral criteria, please consult a doctor. You can expect treatment of your illness, but you should **NOT** expect a deferral certificate to automatically be granted.

Of course students are welcome to consult their own doctors in the community. Please note that a physician at Health Services reviews all exam deferral certificates issued by doctors outside of University of Ottawa Health Services. The same strict criteria apply. It is possible that a doctor off campus may issue you an exam deferral, yet it may be refused when reviewed here. A physician, on or off campus, must see you **PRIOR** to the exam to certify that you are too sick to sit for the duration of the exam. We certify illness based on what we see when we examine you, and **NOT** on your description of your illness on a previous day.

REQUEST FOR A DEFERRED MARK - form available at FSS 3010
Misreading the exam schedule is not an excuse to miss the exam

Note that there is no provision for a re-make mid-term exam. A justified absence for a mid-term exam will lead to a re-weighting of the marks equally towards future examinations.

Some rules of etiquette regarding email use with professors

Students are often offensive or abusive in their use of emails with professors, sometimes unknowingly. One must respect the fact that each professor has many students to attend to. Exercise of judgement and restraint is therefore required.

Communication with the professor by email must concern only matters that can be addressed briefly and cannot reasonably wait for the next class. It is very inappropriate to ask for information by email just because you have missed a class, even if you think that you have a good reason to miss the class. Use proper language and always identify yourself clearly. Good reasons to use email include:

- Notification of impossibility to write an exam due to illness.
- Apparently incomplete or misleading information provided during class or on website.

A student should never use email to ask the following types of questions:

- Explain an exercise. (Use office hours.)
- Ask for a mark.
- Ask for information already provided in class.

Beware of Academic Fraud!

Academic fraud is an act committed by a student to distort the marking of assignments, tests, examinations, and other forms of academic evaluation. Academic fraud is neither accepted nor tolerated by the University. Anyone found guilty of academic fraud is liable to severe academic sanctions. It is the student's responsibility to know the rules at: http://www.uottawa.ca/academic/info/newsletter/fraud_e.html