

Département d'économique

# Macroeconomics

## GSE-1002

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### Summary

This course is an introduction to macroeconomic analysis. The aim is to develop your understanding of the modern economic environment and its fluctuations. We also want to focus on applying critical analysis skills to current economic problems. The course addresses the following issues:

- Basic macroeconomic variables: gross domestic product (GDP), consumer price index (CPI), jobs, unemployment, the balance of international payments and the exchange rate.
- Macroeconomic equilibrium
- Aggregate demand and expenditure multipliers
- Money, banking and interest rates
- Economic growth
- International Trade

### Class approach

Presentations will be mostly magistral. I **strongly** suggest you get involved in the class and participate as much as possible. It is much more interesting and rewarding (for the students and the instructor) when many students are actively participating. I sincerely believe a good atmosphere and a climate of respect are essential to a useful learning environment. Never hesitate to ask questions, it is strongly encouraged; I consider it part of your "job" as a student. Questions always help more than one student and also help me to focus on points that could need more explanations. I tend to use many examples and present many practical applications. I try to do as many exercises as possible in class, as it is an excellent way to learn.

My lectures will summarize the relevant chapters of the textbook. Examinations will test material covered in class, but topics addressed in the textbook only will also be tested. Exercises and extra material on the web site are also subject to examination.

There is no secret; exercises are an integral part of mastering the different course concepts. You should do your exercises regularly and get your hands “dirty” if you want to succeed. Question periods for students who would like to ask questions about the exercises will be posted on the web site. There is also a board on the web site for questions and answers.

### Final Grade Breakdown

Assignment (2 pages) to hand in Jan. 18 (2<sup>nd</sup> class): **10 %**

Online Quizzes (6 quiz): **10 %** (total)  
(Only the 5 best quizzes count; schedule on web site)

Midterm Exam (Chapters 20 to 25): **40 %**  
Date: Saturday February 26, 2011, 14 h 00 to 16 h 50.

Final Exam (Chapters 26-27-29-30-31): **40 %**  
Date: Sunday April 17, 2011, 14 h 00 to 16 h 50.

Grading Scale	
Final Mark	Letter
≥ 90 %	A+
≥ 85 %, < 90 %	A
≥ 80 %, < 85 %	A-
≥ 75 %, < 80 %	B+
≥ 70 %, < 75 %	B
≥ 66 %, < 70 %	B-
≥ 63 %, < 66 %	C+
≥ 60 %, < 63 %	C
≥ 56 %, < 60 %	C-
≥ 53 %, < 56 %	D+
≥ 50 %, < 53 %	D
< 50 %	E

### Textbook



Michael PARKIN and Robin BADE, *Macroeconomics : Canada in the Global Environment*, **7<sup>th</sup> edition**, Pearson Education Canada, 2010.  
ISBN : 978-0-321-56389-7.

# **Course Outline**

## **Part 1: Monitoring Macroeconomic Trends and Fluctuations**

### **1.1 Chapter 20: Measuring GDP and Economic Growth**

Gross domestic product; measuring Canada's GDP; the uses and limitations of real GDP.

### **1.2 Chapter 21: Monitoring Jobs and Inflation**

Employment and unemployment; unemployment and full employment; the price level and inflation

## **Part 2: Macroeconomic Trends**

### **2.1 Chapter 22: Economic Growth**

The basics of economic growth; economic growth trends; why labour productivity grows; growth theories and policies.

### **2.2 Chapter 23: Finance, Saving, and Investment**

Financial institutions and financial markets; the market for loanable funds; government in the market for loanable funds; the global loanable funds market.

### **2.3 Chapter 24: Money, the Price Level, and Inflation**

What is money?; the banking system; how banks create money; the market for money; the quantity theory of money.

### **2.4 Chapter 25: The Exchange Rate and the Balance of Payments**

Currencies and exchange rates; the foreign exchange market; changes in demand and supply: exchange rate fluctuations; financing international trade; exchange rate policy.

## **Part 3: Macroeconomic Fluctuations**

### **3.1 Chapter 26: Aggregate Supply and Aggregate Demand**

Aggregate Supply; aggregate Demand; explaining macroeconomic fluctuations; macroeconomic schools of thought.

### **3.2 Chapter 27: Expenditure Multipliers: The Keynesian Model**

Fixed prices and expenditure plans; real GDP with a fixed price level; the multiplier; the multiplier and the price level.

## **Part 4: Macroeconomic Policy**

### **4.1 Chapter 29: Fiscal Policy**

Government budgets; supply-side effects of fiscal policy; stabilizing the business cycle.

### **4.2 Chapter 30: Monetary Policy**

Monetary policy objective and framework; the conduct of monetary policy; monetary policy transmission; alternative monetary policy strategies.

## **Part 5: International Trade**

### **5.1 Chapter 31: Global Markets in Action**

How global markets work; winners, losers, and the net gain from trade; international trade restrictions, the case against protection.

## **Course Web Site**

Accessible at <http://www.webct.ulaval.ca>. You will find teaching material, lecture notes, useful links and exercises. The board will be the most interactive section, but I will update the site regularly during the term.

## **Plagiarism / Cheating**

The FSA does not tolerate non-ethical behavior (neither do I) and it will be sanctioned. Check Laval University's *Règlement disciplinaire à l'intention des étudiants* or [www.fsa.ulaval.ca/plagiat](http://www.fsa.ulaval.ca/plagiat) to make sure you avoid such problems.

## **Course Evaluation**

This course will be evaluated twice during the term. Around the fourth week, an informal evaluation will take place, just between the students and the instructor. The formal evaluation, going to the instructor and the department, will take place around the end of the course. I kindly ask you to fill it as it takes little time and is very useful to me and to the university.

### Warning regarding examinations

Examinations schedule is posted before the term at this site:

<http://www5.fsa.ulaval.ca/sgc/formation/baalaval/pid/6597> .

It is **your responsibility** to make sure you don't have a time conflict between two examinations. In case of conflict, you must modify your courses; **no exemptions or reports will be granted** due to examination conflicts.

For more information : <http://www5.fsa.ulaval.ca/sgc/absenceexamen> .

### Alignment between the course and BBA program goals and objectives

	Degree of achievement in the course	Performance-based measures
Learn how to make decisions.	developing	Exam, Quizzes
Communicate.	initiated	Assignment, Exam
Be open to the world.	integrated	Assignment, Exam
Master technological tools.	integrated	Exam, Quizzes
Be open to change.	integrated	Assignment, Exam
Behave in an ethical manner.	developing	Assignment, Exam, Quizzes

## Work Schedule

This schedule is given purely as an indication. Chapters have varying degrees of length and difficulty and class time will be allocated accordingly.

<b>Date</b>	<b>Course</b>	<b>Chapter</b>
January 11	1	Chapter 20
January 18	2	Chapter 20 + 21
January 25	3	Chapter 21
February 1 <sup>st</sup>	4	Chapter 22
February 8	5	Chapter 23
February 15	6	Chapter 24
February 23	7	Chapter 25
<b>Midterm Exam : Saturday February 26, 14 h 00 - 16 h 50</b>		
<i>March 1<sup>st</sup></i>	<i>No Class - Exams</i>	
Reading Week (March 7 to March 12)		
March 15	8	Chapter 26
March 22	9	Chapter 27
March 29	10	Chapter 29
April 5	11	Chapter 30
April 12	12	Chapter 31
<b>Final Exam : Sunday April 17, 14 h 00 - 16 h 50</b>		