

ECO 2143: Macroeconomic Theory II

Summer 2014

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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 into 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 Thursday **July 3rd** and Tuesday **July 15th**. (Near each other because of Canada day.) 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 and posted on the course's website. 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, Tuesday at 5:30pm sharp when 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. The corrector will only look for assiduity in answering the questions, not for right and wrong answers.

As per Faculty rules, class attendance is mandatory.

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 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.)
- Slides and additional classnotes are posted on the course's website.
- Detailed solutions to exercises will be posted weekly on the course's website. Students must consult the course's website regularly 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. Productivity; Technological progress; Efficiency
 - iii. Population growth; Malthusian growth; The fertility transition
 - iv. Trade; Comparative advantage; Foreign direct investment; Globalization
 - (c) The fundamentals
 - i. Government
 - ii. Institutions
 - iii. 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 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