

**UNIVERSITY OF TORONTO MISSISSAUGA  
DEPARTMENT OF ECONOMICS**

**ECONOMICS 208Y5Y – Year 2008-2009**

**MACROECONOMIC THEORY**

**Professor Gueorgui Kambourov**

Lectures: Friday, 1:00pm – 3:00pm, in Room SE 2068  
Tutorials: Friday, 3:00pm – 4:00pm, in Room SE 3131  
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Office Hours: Friday, 4:00pm – 6:00pm; and by appointment  
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Course Webpage: <http://www.chass.utoronto.ca/~gkambour/teaching/eco208/eco208.htm>

**Prerequisites:**

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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 2008-2009 Courses Calendar which is available from the Registrars Office.

**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.

## **Course Objectives**

Economics 208 deals rigorously with topics such as the theory of output, consumption, investment, employment and unemployment, economic growth, business cycles, the price level, and central banking.

## **Course Prerequisites**

ECO100Y5 (70%); MAT133Y5 (63%)/134Y5/135Y5 (60%)/137Y5 (55%)

## **Required Textbook**

The recommended textbook for the course is: Stephen D. Williamson, *Macroeconomics*, 2<sup>nd</sup> Canadian edition, Pearson Education Canada, 2007.

## **Evaluation**

Your grade in this course will be based on: term tests (60%), problem sets (5%), and a final exam (35%).

There will be four term tests – two of them in the Fall term and two in the Winter term. The final exam will be at the end of the school year. There will also be around 5 problem sets. For each one of them, there will be a problem session (on Fridays) where your answers will be collected and a solution explained.

Note: There are no make-up tests. Students that miss a 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 within a week or less of the date of the test.

## **Course Outline**

PART I: Introduction and Measurement Issues.

1. Introduction (Ch. 1).
2. Measurement (Ch.2).
3. Business Cycle Measurement (Ch. 3).

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

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

PART III: Economic Growth.

6. Economic Growth: Malthus and Solow (Ch.6).
7. Income Disparity among Countries and Endogenous Growth (Ch.7).

PART IV: Saving, Government Deficits, and Investment

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

PART V: Money and Business Cycles.

10. A Monetary Intertemporal Model: The Neutrality of Money, Long-Run Inflation, and Money Demand (Ch. 10).
11. Market-Clearing Models of the Business Cycle (Ch. 11).
12. Keynesian Business Cycle Theory: The Sticky Wage Model (Ch. 12).

PART VI: International Economics.

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

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

15. Money, Inflation, and banking (Ch. 15).
16. Unemployment: Search and Efficiency Wages (Ch. 16).
17. Inflation, the Phillips Curve, and Central Bank Commitment (Ch. 17).