



**LAKEHEAD UNIVERSITY
DEPARTMENT OF ECONOMICS**

L. Di Matteo

Winter 2020

**ECONOMICS 1100YA: PRINCIPLES OF ECONOMICS-PART 2-
MACROECONOMICS**

Office: RC3016E PHONE: 343-8545
OFFICE HOURS: Mondays and Wednesdays, 12:00 -1:00pm.
E-mail: livio.dimatteo@lakeheadu.ca

Knowledge of the fundamentals of economic analysis is crucial to operating in and understanding the modern world. You will learn how economists think and make use of the tools of economic analysis in interpreting the world around you and understanding consumption and production decisions in the context of a market economy. The first half (FALL) focused on microeconomics: the study of the decision making of individual units such as firms and households. The second half focuses on macroeconomics, the study of aggregate economic activity in the economy and this portion will have a separate text and course outline as outlined below.

A. Texts

- *Macroeconomics*, 16th Canadian Edition, C. Ragan (2019)
- Study Resource: *MyEconLab*. Course ID: **dimatteo51802**
- Course Slides Available on D2L Course Web Site on Desire To Learn: (2019Y) ECON-1100-YA - Principles of Economics

B. Learning Outcomes: Macroeconomics-Term 2

- You will learn what macroeconomics is and the relationship between the aggregate economy and microeconomic behaviour
- Knowledge of index numbers, basic macroeconomic indicators, the circular flow of income and spending.
- Knowledge and awareness of basic national income accounting and the construction of GDP via income and expenditure approaches.
- An understanding of the basic short run model of national income determination.
- Know and understand concepts of consumption, the consumption function, saving, investment, exports, imports and the multiplier.

- Understand the concept of macroeconomic equilibrium.
- Acquire knowledge about macroeconomic decision and policy making in the short and long run. Understand the basics of monetary and fiscal policy and the major macroeconomic policy schools: Classical, Keynesian, New Classical, monetarist, New Keynesian, Real Business Cycle.
- Knowledge of the aggregate demand and aggregate supply framework and its use in models of national income and price determination in the long run and short run.
- Understand aggregate demand and supply shocks.
- Knowledge of the Canadian financial system, monetary equilibrium, monetary policy, money multiplier, interest rates
- Learn about the open economy, the balance of payments and exchange rate determination.
- Knowledge about inflation and unemployment and business cycles.
- Understand the role of government in affecting the macro economy.
- General factual and institutional knowledge about the Canadian and international economic system will be provided.

C. Evaluation: Term 2

3 term tests: 3X20% = 60% 1 final exam: 40%

Test Dates: Test 1 January 29th; Test 2 February 26th; Test 3 March 18th

D. Course Path (Ragan, Chapters in Brackets)

1. Introduction to Macroeconomics: Lectures 1 & 2 (Ragan, Chapters 19-20)

- a. What is macroeconomics?
- b. Introduction to the Macroeconomy
- c. Studying the Macroeconomy as a System
- d. Index Numbers, Measurement, the Circular flow
- e. National Income Accounting

2. Determinants of National Income: Lectures 3 (Ragan, Chapter 21)

- a. Consumption and the Consumption Function
- b. Saving
- c. Investment, Exports and Imports

3. National Income Equilibrium: Lecture 4 (Ragan, Chapter 22)

- a. Short Run Model of Income Determination
- b. Changes in National Income
- c. The Multiplier
- d. Government

4. Aggregate Demand and Supply: Lecture 5 (Ragan, Chapter 23)

- a. National Income and the Price Level in the Short Run
- b. Deriving Aggregate Demand and Supply
- c. Macroeconomic Equilibrium

- 5. Government Policy in the Economy: Lecture 6** (Ragan, Chapter 31)
 - a. Theory of budgeting and fiscal Policy
 - b. Fiscal policy
 - c. Debts and Deficits

- 6. National Income and Price in the Long Run: Lectures 7-8** (Ragan, Chapter 24-25)
 - a. Macroeconomic Adjustment
 - b. Consequences of Demand Shocks
 - c. Long Term Growth
 - d.

- 7. Money and Monetary Institutions: Lecture 9** (Ragan, Chapter 26)
 - a. The Nature and Origins of Money
 - b. Introduction to the Financial System
 - c. The Central Bank

- 8. Money Supply and Demand: Lecture 10** (Ragan, Chapter 27)
 - a. Creating Money
 - b. The Money Multiplier
 - c. Demand for Money
 - d. Monetary Equilibrium & Interest Rate Determination

- 9. Money, National Income and Monetary Policy: Lecture 11** (Ragan, Chapter 28)
 - a. Monetary Policy
 - b. Instruments and Objectives of Monetary Policy

- 10. Inflation: Lecture 12** (Ragan, Chapter 29)
 - a. What is inflation?
 - b. Modeling Inflationary Processes
 - c. Expectations and Inflation

- 11. Unemployment: Lecture 13** (Ragan, Chapter 30)
 - a. Types of unemployment
 - b. The Unemployment Experience in Canada
 - c. Unemployment Policies