

Course Outline

Department of Economics  
School of Business and Economics

**ECON 3950-3**  
**Intermediate Macroeconomics 2 (3,0,0)**

**Calendar Description**

Students continue to study short-run macroeconomic theory and its applications to contemporary policy issues. Topics include an overview of macroeconomics; macroeconomic data; the open economy; economic fluctuations; aggregate demand, including investment savings-liquidity preference money supply (IS-LM) curves; aggregate supply, including the Phillips curve; economic stabilization and the effectiveness of fiscal and monetary policy; and money supply and demand.

**Educational Objectives/Outcomes**

After completing this course, students should be able to:

1. Apply macroeconomics theory and tools as well as an understanding of contemporary issues to personal and managerial decision-making.
2. Discuss the dynamics of a changing world.
3. Apply short-run macroeconomic theory with applications to contemporary policy issues.
4. Evaluate the causes and consequences of economic fluctuations in small and large open economies.
5. Incorporate IS-LM curves in economic decision making.
6. Apply different models of aggregate demand and supply to economic decision making.
7. Explain the role of savings, investments, and exchange rates in the economy.
8. Describe the economic role of money and monetary policy.

**Prerequisites**

ECON 2950

**Co-requisites**

**Texts/Materials**

Gregory Mankiw and William Scarth, Macroeconomics, 4th Canadian Edition, Worth Publishers, 2011.

Selected readings relating to current events.

### **Student Evaluation**

Participation	0-20%
Assignments/quizzes	0-20%
Project/paper	0-30%
Midterm(s)	30-60%
Final exam	0-50%

### **Course Topics**

1. Overview of Macroeconomics
  - Scope of macroeconomics
  - Micro foundation of macroeconomics
  - Macroeconomic models
2. Macroeconomic Data
  - Circular flow of income
  - Stocks and flows
  - GDP versus GNP
  - GDP deflator
  - CPI
  - Twin evils: unemployment and inflation
3. Open Economy
  - International flows of capital and goods
  - Saving and investment in a small open economy
  - Exchange rates
  - Small versus large open economies
4. Economic Fluctuations
  - Short run versus long run
  - Aggregate demand
  - Aggregate supply
  - Stabilization policy
5. Aggregate Demand I
  - IS curve
  - LM curve
  - Short-run equilibrium
6. Aggregate Demand II

- IS-LM model
  - IS-LM as a theory of aggregate demand
  - Great Depression
7. Aggregate Demand in the Open Economy
- Mundell-Fleming model
  - Small open economy under floating and fixed exchange rates
  - Should exchange rates be floating or fixed?
  - Interest rate differentials
8. Aggregate Supply
- Four models of aggregate supply
  - Inflation, unemployment, and the Phillips Curve
9. Stabilization Policy
- Should policy be active or passive?
  - Should policy be conducted by rule or by discretion?
  - Time inconsistency
10. Money Supply and Money Demand
- Money supply
  - Money demand
  - Financial innovation
11. What We Know, What We Don't
- Four most important lessons of macroeconomics
  - Four most important unresolved questions of macroeconomics

**Methods for Prior Learning Assessment and Recognition**

As per TRU policy

**Attendance Requirements – Include if different from TRU Policy**

As per TRU policy

**Special Course Activities – Optional**

**Use of Technology – Optional**