

**Macroeconomic Policy
API 5125, Section B**

**Miles Corak
Autumn 2016**

COURSE OUTLINE

Class schedule:	Thursdays 8:30 to 11:20 FSS 6 004
Professor's office hours:	Thursdays 14:30 to 16:30 FSS 6 029
Internet:	mcorak@uottawa.ca twitter.com/MilesCorak or @MilesCorak MilesCorak.com

Please note that in communicating with students by email the instructor is required to use their official University of Ottawa email address with the domain name @uottawa.ca .

COURSE DESCRIPTION AND OBJECTIVES

Upon completion of this course successful students will be familiar with the basic principles of macroeconomics and be able to apply them critically to issues dealing with Canadian and international public policy. Students will read, summarize, and critically assess texts in economic theory, public policy documents, and media reporting, working both individually and in groups to produce written reports and oral presentations.

The course has been designed to meet the needs of graduate students in public policy who may have had only limited exposure to economics during their undergraduate studies. Upon completion of the course students will have the skills and knowledge to understand and critically assess public policy debates dealing with macroeconomic issues, as well as to enrol in more advanced courses in economic theory.

SPECIFIC COURSE OBJECTIVES

1. To develop a knowledge of macroeconomic principles
 - a. Students will be introduced to the basic principles of macroeconomic theory through lectures based upon readings they will do from standard texts.
 - b. Students will enhance their familiarity with economic issues and methods of reasoning through a series of assignments.
 - c. In consultation with the professor and working in small teams, students may make a presentation summarizing a relevant aspect of economic theory and its application to public policy.

2. To apply economic reasoning to public policy issues
 - a. Familiarity with the economic aspect of public policy issues will be enhanced by regular reading of media reports, either newspapers or web based. The instructor has set up a Twitter account at twitter.com/MilesCorak, with the handle @MilesCorak, and a blog at MilesCorak.com as a way of remaining in conversation with students, offering direction to current events and articles of interest, and in particular to direct students to newspaper articles and blogs that are credible and of particular interest. The Twitter hashtag #API5125 will usually be used for this purpose.
 - b. The professor will make available recent public policy documents and other readings that students will read individually or as a group, present to the class, and submit written critiques. Students will develop a familiarity with the nature and evolution of macro-economic data, and the most trustworthy sources to obtain them.
 - c. The class will collectively read a book dealing with public policy issues related to aspects of macroeconomic theory.

TEACHING METHODS AND SKILLS DEVELOPMENT

Successful learning requires continuous and conscious engagement with the subject, and active in-class participation is an essential part of this engagement. It will serve as an important basis for evaluating your work in this course.

The successful student will take full advantage of the opportunities provided in class. Attending classes, handing in assignments on time, and consistently contributing to the class in all activities—whether group, pair, or individual—will all be considered as measures of your success in effectively using your class time.

The classroom is intended to be a safe place where students can question and practice, receive feedback from both the instructor and their peers, and rely on their classmates as partners and resources in the learning process. The instructor's role is to provide resources, guidance, and support, but students are responsible for engaging actively in the process. Active listening and engagement requires, at a minimum, that students turn off and store all cell phones.

Students are responsible for completing readings before the class, being prepared for discussions, submitting assignments on time, volunteering material for the consideration of the class, and working constructively as a team member. The nature of a successful student's participation might be characterized by the phrase "informed engagement."

The teaching approach will involve the use of theory to highlight important public policy debates; adopt the view of economics as a science that has developed and is developing in response to a conversation between theory, policy needs, and data availability; and also encourage an appreciation of the historical context and the personalities of the great thinkers who have helped to shape the subject.

RESOURCES

Students are required to purchase the following books, which are available at the University of Ottawa bookstore.

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson.

This book offers a standard treatment of the materials in a first year macroeconomics course. It will be used as our standard reference text, offering the basis for some lectures, student led presentations, and also for supplemental reading as well as some assignments.

The following book is to be used a supplemental resource that offers a more intuitive examination of the topics addressed in the course textbook

Tim Harford (2013). *The Undercover Economist strikes back: How to Run or Ruin an Economy*. New York: Riverhead Books, Penguin.

This book, by a noted journalist associated with *The Financial Times*, offers readers the opportunity to develop a quick familiarity with macroeconomic reasoning, and with their application to public policy. It will also be used to complement our formal analysis.

Students will also be required to make use of the Internet to download documents that will be used during the course. The suggested readings from academic journals can be obtained through the e-journal facility of the library, and in particular from JSTOR.

ASSESSMENT METHODS

Emphasis is given to your engagement in the course and the activities of the class. This is best demonstrated by motivated and informed involvement. This requires attending all scheduled classes, but also involves having completed the readings before the class and being prepared to engage in discussion. It involves your contributions to group work, completion of assignments by the required date, and attention to feedback from your peers and instructor. But obviously if you are not present you cannot participate, and regular attendance is therefore required. Appropriate documentation justifying an extended absence is required.

The final mark will be determined as follows.

Informed engagement including two assignments	30%
Two in class tests at 20% each	40%
Final examination	30%

Class tests will take place on October 6th, and November 17th. Students who miss the first test for whatever reason, medical or otherwise, will be assigned a mark of zero. The mark they receive on the final exam will count for 45% of their mark. Students who miss both in-class tests without valid and appropriate documentation being given to the instructor will not be permitted to write the final examination, and will be assigned a failing grade for the course.

Assignments are due at the beginning of the class on September 22nd and November 3rd, and are to be handed to the professor in person as a hardcopy.

Students are encouraged to have at least one 15-minute meeting with the instructor at some point during the first half of the course to discuss their progress, and any barriers they perceive to their learning. Students are also asked to keep a weekly diary of their experiences in the course, and may be asked to verbally offer information from the diary. The diary should address particular insights they have valued, problems they are confronting, and appropriate changes to their learning styles/techniques and the professor's teaching style. Both the meeting and the diary are intended to be vehicles for constructive feedback and do not form part of the course evaluation.

Policy on absences and late submissions

Class attendance is necessary to successfully complete this course. Each missed class will result in the loss of five (5) percentage points of the Informed engagement mark. For example, if a student were to miss six classes he or she would be assigned 0 for the Informed Engagement portion of the final mark ($30 - 6 \times 5$).

Late submissions of assignments will not be accepted. This applies to all assignments including those that the professor has asked to be submitted by email, and in this case, the time of receipt of the email by the professor is guarantor of the time of delivery.

Exceptions are made only for illness or other serious situations deemed as such by the professor. All absences from class or exams, and all late submissions due to illness must be supported by a medical certificate. The professor and the Faculty reserve the right to accept or reject the reason put forth if it is not medical. Reasons such as travel, work, and errors made while reading the exam schedule are not usually accepted. In the event of an illness or related complications, only the counselling service and the campus clinic may issue valid certificates to justify a delay or absence.

Students are advised to notify the professor as soon as possible if a religious holiday or event forces their absence during an evaluation.

DISABILITIES AND ACCOMMODATIONS

Students with disabilities requiring academic accommodations are encouraged to contact the Centre for Special Services. The Centre has a variety of assistance programs and options for students with a disability or requiring special equipment. You can obtain more information at <http://www.sass.uottawa.ca/access/> . After meeting with access services please feel free to make an appointment with the professor to discuss any remaining concerns you may have. You should do this as soon as possible and at least two weeks before the first in-class test.

ACADEMIC FRAUD AND PLAGIARISM

Because of the growing number of allegations of academic fraud and plagiarism in recent years, the Faculty of Social Sciences has implemented a series of strategies to raise students' awareness of the rules of ethics governing university assignments and of the Faculty policy on academic fraud.

The university policies and clear definitions of plagiarism can be found on the Student Academic Success Service website at <https://sass.uottawa.ca/en/writing/plagiarism>

This site includes a link to a document called "Academic Integrity: Student's Guide."

Students are required to read this document, and to be aware of the University regulation on academic fraud also available on the University web site.

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.

Here are a few examples of academic fraud:

- engaging in any form of plagiarism or cheating;
- presenting falsified research data;
- handing in an assignment that was not authored, in whole or in part, by the student;
- submitting the same assignment in more than one course, without the written consent of the professors concerned.

In recent years, the development of the Internet has made it much easier to identify academic plagiarism. The tools available to your professors allow them to trace the exact origin of a text on the Web, using just a few words.

Persons who have committed or attempted to commit (or have been accomplices to) academic fraud will be penalized. Here are some examples of the academic sanctions, which can be imposed:

- a grade of " F " for the assignment or course in question;
- an additional program requirement of between 3 and 30 credits;
- suspension or expulsion from the Faculty.

Last session, most of the students found guilty of fraud were given an " F " for the course and had between three and twelve credits added to their program requirement.

COURSE STRUCTURE AND READINGS

The course materials will be presented in three blocks, highlighting three themes. The specific materials to be covered are offered below, but other materials may be introduced at the professor's discretion according to student needs and interests. Some of these readings will also be the basis of assignments.

The course begins with a preliminary discussion of the causes and consequences of the financial crisis and economic recession that began in the fall of 2008. This discussion is intended to raise issues, vocabulary, and questions that will motivate some of our studies, and that will be revisited throughout the course, and particularly toward the end.

BLOCK 0 Preliminaries - An analysis of the 2008 recession

CLASS 1 - September 8th

Watch the first 40 minutes of a presentation made by Joseph Stiglitz summarizing a report commissioned by the United Nations on the causes and policy implications of the 2008 macroeconomic crisis at:

<http://www.policyinnovations.org/ideas/video/data/000267> .

See also Chapter 2 of

United Nations (2009), Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System. New York: United Nations. Available at http://www.un.org/ga/econcrisissummit/docs/FinalReport_CoE.pdf

Supplemental reading

Tim Harford (2013). *The Undercover Economist strikes back: How to Run or Ruin an Economy*. Penguin Random House.

Reread the appropriate chapters of this book as the course progresses.

BLOCK 1 - Macroeconomic issues and the measurement of the macro-economy

1. *Macro-economic variables*. 2. *National Income Accounting*. 3. *Gross Domestic Product*. 4. *Unemployment*. 5. *Inflation*.

CLASS 2 - September 15th

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapters 4 and 5.

Statistics Canada (2014). "An overview of recent macroeconomic developments in Canada." October 29th. Ottawa: Statistics Canada, Publication no. 11-631-X. Available at <http://www.statcan.gc.ca/pub/11-631-x/11-631-x2014001-eng.htm>

Diane Coyle (2014). *GDP: A Brief but Affectionate History*. Princeton: Princeton University Press.

Matthew Yglesias (2014). "GDP Isn't Flawed, It's Just Not that Important." *Slate*, Moneybox (A blog about business and economics). February 19th. Available at: http://www.slate.com/blogs/moneybox/2014/02/19/gdp_calculation_it_s_done_great_it_s_just_not_what_you_think.html

Matthew C. Klein (2016). "Placing Ireland's economic "recovery" in context." *The Financial Times*, FTAlphaville blog. July 14. Available at <http://ftalphaville.ft.com/2016/07/14/2169550/placing-irelands-economic-recovery-in-context/>

CLASS 3 - September 22nd, ASSIGNMENT 1 DUE AT THE BEGINNING OF THE CLASS

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapters 5 and 6.

Miles Corak (2012). "The gap between US and Canadian unemployment rates is bigger than it appears." Economics for public policy blog, May 4th. Available at <http://mileskorak.com/2012/05/04/the-gap-between-us-and-canadian-unemployment-rates-is-bigger-than-it-appears/> [and the associated readings linked to in the post.]

Statistics Canada (2013). "The Labour Force Survey's volatility - myth or reality?" Statistics Canada Blog, November 20th. Available at <http://www.statcan.gc.ca/eng/blog-blogue/cs-sc/volati-eng>

Justin Fox (2016). "What's Really Wrong With the Unemployment Rate." BloombergView. August 10th. Available at <http://www.bloomberg.com/view/articles/2016-08-10/what-s-really-wrong-with-the-unemployment-rate>

Statistics Canada (1996). *Your Guide to the Consumer Price Index*. Ottawa: Statistics Canada, Catalogue Number 62-557. Available at <http://www.statcan.ca/bsolc/english/bsolc?catno=62-557-X> .

BLOCK 2 - The Macro-economy in the Short Run

1. *The Business Cycle*. 2. *Spending and output in the short run*. 3. *Money and Monetary Policy*. 4. *Exchange rates and the Open Economy*

CLASS 4 -September 29th

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapter 7.

Philip Cross and Phillippe Bergevin (2012). *Turning Points: Business Cycles in Canada since 1926*. Toronto: C.D. Howe Institute. Available at http://www.cdhowe.org/pdf/Commentary_366.pdf

Martin Feldstein (1981). "The Retreat from Keynesian Economics." *The Public Interest*. Number 64 (Summer), pages 92-105. Available at http://www.nationalaffairs.com/public_interest/detail/the-retreat-from-keynesian-economics

Miles Corak (2016). "American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 2, Where are we? How did we get here? What next?" Economics for Public Policy blog. January 27. Available at <https://milesorak.com/2016/01/27/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-2-where-are-we-how-did-we-get-here-what-next/>

CLASS 5 - October 6th FIRST IN-CLASS TEST

CLASS 6 - October 13th

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapter 8.

John Maynard Keynes (1937). "The General Theory of Employment." *Quarterly Journal of Economics*. Vol. 51, No. 2 (February), pages 209-23.

Nicholas Kaldor (1955-56). "Alternative Theories of Distribution." *The Review of Economic Studies*. Vol. 23, No. 2. Pages 83-100, but only read pages 94 and onward. Available at <http://www.jstor.org/stable/2296292> .

CLASS 7 - October 20th

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapter 9.

James Tobin (1963). "Commercial Banks as Creators of "Money". In Deane Carson (editor). *Banking and Monetary Studies*. U.S. Treasury. Homewood Illinois: Richard D. Irwin. Pages 408-19. Available at: <http://cowles.econ.yale.edu/P/cm/m21/m21-01.pdf>

Carolyn Wilkins (2014), "Money in a Digital World," Remarks by Carolyn Wilkins, Senior Deputy Governor of the Bank of Canada to Wilfred Laurier University. November 13th. Available at <http://www.bankofcanada.ca/wp-content/uploads/2014/11/remarks-131114.pdf>

CLASS 8 - November 3rd, ASSIGNMENT 2 DUE AT THE BEGINNING OF THE CLASS

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapter 10.

Stephen S. Poloz (2014). "The Legacy of the Financial Crisis: What we know, and what we don't," Remarks by Stephen Poloz, Governor of the Bank of Canada to The Canadian Council for Public-Private Partnerships. November 3rd, 2014. Available at: <http://www.bankofcanada.ca/wp-content/uploads/2014/11/remarks-031114.pdf>

Miles Corak (2016). "American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 2, Where are we? How did we get here? What next?" Economics for Public Policy blog. January 27. Available at <https://milesorak.com/2016/01/27/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-2-where-are-we-how-did-we-get-here-what-next/>

Miles Corak (2016). "American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 8, Monetary Policy: Business Cycles and Inflation." Economics for Public Policy blog. February 16. Available at <https://milesorak.com/2016/02/16/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-8-monetary-policy-business-cycles-and-inflation/>

John B. Taylor (1993). "Discretion versus policy rules in practice." *Carnegie-Rochester Conference Series on Public Policy*. Vol. 39, page 195-214. Available at: <https://web.stanford.edu/~johntayl/Papers/Discretion.PDF>

Miles Corak (2016). "American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 10, Preventing and Responding to Financial Crises." Economics for Public Policy blog. February 17. Available at <https://milesorak.com/2016/02/17/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-10-preventing-and-responding-to-financial-crises/>

CLASS 9 - November 10th

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapters 11.

Neil Irwin (2014). "Of Kiwis and Currencies: How a 2% Inflation Target Became Global Economic Gospel." *The New York Times*. December 19th. The Upshot. Available at: <http://www.nytimes.com/2014/12/21/upshot/of-kiwis-and-currencies-how-a-2-inflation-target-became-global-economic-gospel.html>

Paul Krugman (2009). "How did Economists get it so Wrong?" *The New York Times Magazine*. September 2nd. Available at <http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?pagewanted=1&r=2&hp> .

William Scarth (2014). *User Discretion Advised: Fiscal Consolidation and the Recovery*. Commentary No. 412. Toronto: C.D. Howe Institute. Available at http://www.cdhowe.org/pdf/Commentary_412.pdf.

Christopher Ragan (2014). *What Now? Addressing the Burden of Canada's Slow-Growth Recovery*. Commentary No. 413. Toronto: C.D. Howe Institute. Available at http://www.cdhowe.org/pdf/Commentary_413.pdf.

Pierre Fortin (2016). "A Stable 4% Inflation Could Get Canadians One Half Million More Jobs." Centre Interuniversitaire sur le Risque, les Politiques Economiques et l'Emploi. Working Paper No. 16-04. Available at https://milesorak.files.wordpress.com/2016/06/pierre_fortin_stable_four_percent_inflation_could_get_canadians_one_half_million_more_jobs.pdf

Steve Ambler (2016). "Toward the Next Renewal of the Inflation-Control Agreement: Questions Facing the Bank of Canada." Commentary 453. Toronto: C.D. Howe Institute. Available at http://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_453_0.pdf

CLASS 10 - November 17th **SECOND IN-CLASS TEST**

CLASS 11 - November 24th

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapters 12.

Milton Friedman (1968). "The Role of Monetary Policy." *American Economic Review*. Vol. 58 No. 1 (March), pp. 1-17.

M. Kalecki (1943). "Political Aspects of Full Employment." *The Political Quarterly*. Vol. 14, Issue 4, pages 322-330.

J. Bradford deLong (2015). "The Scary Debate Over Secular Stagnation: Hiccup ... or Endgame?" *Milken Institute Review*. October 19. Available at <http://www.milkenreview.org/articles/the-scary-debate-over-secular-stagnation>

BLOCK 3 - Exchange rates and economic growth

1. Exchange rates. 2. Economic Growth. 3. Productivity and Living Standards.

CLASS 12 - December 1st

Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean (2012). *Principles of Macroeconomics*. 4th Canadian Edition. Toronto: McGraw-Hill Ryerson. Chapters 13, 14, 16

OTHER RESOURCES AND IMPORTANT INFORMATION

Resources for you

Mentoring Centre - <https://sass.uottawa.ca/en/mentoring>

The goal of the Mentoring Centre is to help students with their academic and social well being during their time at the University of Ottawa. Regardless of where a student stands academically, or how far along they are in completing their degree, the mentoring centre is there to help students continue on their path to success.

A student may choose to visit the mentoring centre for very different reasons. Younger students may wish to talk to their older peers to gain insight into programs and services offered by the University, while older student may simply want to brush up on study and time management skills or learn about programs and services for students nearing the end of their degree.

In all, the Mentoring Centre offers a place for students to talk about concerns and problems that they might have in any facet of their lives. While students are able to voice their concerns and problems without fear of judgment, mentors can garner further insight in issues unique to students and find a more practical solution to better improve the services that the Faculty of Social Sciences offers, as well as the services offered by the University of Ottawa.

Academic Writing Help Centre - <http://sass.uottawa.ca/en/writing>

At the AWHC you will learn how to identify, correct and ultimately avoid errors in your writing and become an autonomous writer. In working with our Writing Advisors, you will be able to acquire the abilities, strategies and writing tools that will enable you to:

- Master the written language of your choice
- Expand your critical thinking abilities
- Develop your argumentation skills
- Learn what the expectations are for academic writing

Career Services - <http://www.sass.uottawa.ca/careers/>

Career Services offers various services and a career development program to enable you to recognize and enhance the employability skills you need in today's world of work.

Counselling Service- <http://www.sass.uottawa.ca/personal/>

There are many reasons to take advantage of the Counselling Service. We offer:

Personal counselling
Career counselling
Study skills counselling

Access Service - <http://sass.uottawa.ca/en/access>

The Access Service contributes to the creation of an inclusive environment by developing strategies and implementing measures that aim to reduce the barriers to learning for students who have learning disabilities, health, and psychiatric or physical conditions.

Student Resources Centres - <http://www.communitylife.uottawa.ca/en/resources.php>

The Student Resources Centres aim to fulfill all sorts of students needs.

API 5125 Macroeconomic policy
Autumn 2016

Name: _____ E mail address: _____

1. Offer a short personal biography of yourself that you would like to share with others.

2. What are your major interests, and what did you study as an undergraduate?

3. What program are you in? Why are you in this program?

4. What are your objectives for this course?

**API 5125 Economics for Public Management and Policy
Assignment 0**

1. Graph the following information as accurately and as neatly as you can in the form of a bar chart.

X	Y
0 to 100	100
100 to 200	90
200 to 300	80
300 to 400	70

2. Consider the following four variables: M, V, P, Q.

If $M \times V = P \times Q$, then solve for P. Show your calculations.