

Course outline for  
INTERMEDIATE MACROECONOMIC THEORY II  
ECON 2450

Department of Economics, York University

Fall 2021

Continuously updated

For latest version go [here](#)

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**Instructor:** Nils-Petter (Nippe) Lagerlöf

**Email:** lagerlof@yorku.ca (indicate 2450 in subject line). See further tips on communicating with me below.

**Office:** None that can be reliably accessed.

**Office hours:** You can try sending questions by email (lagerlof@yorku.ca). I often reply relatively quickly if the questions are short and clearly formulated, but not always, and in particular not to repetitive or rude emails. It is important that you indicate your name and SID number. The relevant course code (in this case Econ 2450) should appear in the subject line of the email. I rarely reply if this information is missing.

Moreover, you should always ask the TA for help before contacting me (see below).

My policy has always been to discuss marking and grading only in writing, if at all. That was my policy before the pandemic and it obviously holds now too. If you have questions about grading, you should contact the TA first. If you are not happy with her response you can email me.

**Teaching Assistant:** Yudan (Vivian) Wang. Email: vvnwang@yorku.ca.

**TA's virtual office hours:** Thursdays and Fridays 10-11:30 am. Send an email to connect online (address above).

**Website for this course:** <http://www.nippelagerlof.com/teaching/2450/2450.htm>

**Links to my other courses:** <http://www.nippelagerlof.com/teaching/teaching.htm>

**Official lecture hours:** Mondays 4-7 pm.

**Format for lectures:** I will post videos online and circulate links through the Quickmail feature in eClass. Students should receive these by email. If you have not received any email from me by the time the course starts in September 2021, make sure you check the email that is in the system. I will make some use of eClass (e.g., for handing in exams online), but not for everything. You need to check your email and the course website regularly (see address above).

**Late enrollment:** I never sign any papers to let students enroll late, or give any approval to that effect in any other form.

**Math requirements:** For math preparation you should look at the material on my

Econ 1530 website, as I taught it in 2005 (see link above). I have also posted some a brief math overview on the 2450 website.

**Textbook and class attendance:** There is no formal or required textbook for this course. Instead, there is a set of slides, problems, and some other material, which will all be published on the course website, and might be updated and corrected as we move along.

Many textbooks cover related material, so if you already have a textbook from an earlier course, e.g. Econ 2400, then you can browse that as we move along, if you find it useful. For example, some parts of this course partly match with Stephen Williamson's "Macroeconomics" (any recent edition). However, you should not buy any new textbook for this course alone. Instead, the slides and problems posted should give you enough material to work with. If you find the calculus in this course difficult, you may instead want to find some old math book to practice.

**General course description:** We will cover much of the material contained in the slides and problems, except most of Section A (the IS-LM material), and all of Section E (Political Economy). We also skip the segment in Section B about Union Wage Setting, and Section D up to Dynamic Consistency (i.e., we cover Section D from Dynamic Consistency).

Note also that there may be updates and additions to the slides and problems.

The specific parts that we cover are the following:

- Background: the first two pages of the slides (Introduction), and the very end of Section A of the slides (from "Discussion")
- Unemployment and labor markets (Section B)
  - Perfectly competitive markets
  - (Skip Union Wage Setting)
  - Efficiency wages
  - Search
- Intertemporal models, open economy macro (Section C)
  - Closed economy with no production

- Closed economy with production
- Open economy with production
- Open economy with no production, but credit market imperfections
- Monetary policy (Section D)
  - The quantity equation
  - Price and wage setting
  - Money and business cycles
  - Rational expectations
  - Dynamic consistency problems

**Exams:** There are three midterm tests, all held online at/around the time classes are scheduled. Preliminary exam dates are posted below. The logistics will be described in separate instructions posted on the course website (link above). In short, the plan is to circulate the exams by email (sent through eClass but you should receive it in your respective email inboxes). Then you submit electronic copies of your answers on eClass by the indicated deadline, probably around 7 pm; link here: <https://www.yorku.ca/eclass/>.

Importantly, there is no final exam in this course. Therefore, concepts like “deferred standing” have little meaning in this course, as explained further below.

**Grading scheme:** There are three midterm tests all held online. Preliminary dates for these are posted below. There is no final exam. Therefore, concepts like “deferred standing” have little meaning in this course, as explained below.

Let your mark on the first midterm be  $M_1$ , the mark on the second be  $M_2$ , and the mark on the third be  $M_3$ . All these ( $M_1$ ,  $M_2$  and  $M_3$ ) are numbers between 0 and 1 (i.e., they lie on the interval  $[0, 1]$ ).

The overall mark (which can be labelled the “numerical grade”) is denoted  $W$  and determined by this function:

$$W = 0.3M_1 + 0.5M_2 + 0.2M_3.$$

The (letter) grade, denoted  $G$ , is determined by the following function:

$$G = \begin{cases} A+ & \text{if } W \geq 0.95 \\ A & \text{if } W \in [0.85, 0.95) \\ B+ & \text{if } W \in [0.75, 0.85) \\ B & \text{if } W \in [0.7, 0.75) \\ C+ & \text{if } W \in [0.65, 0.7) \\ C & \text{if } W \in [0.55, 0.65) \\ D+ & \text{if } W \in [0.5, 0.55) \\ D & \text{if } W \in [0.45, 0.5) \\ E & \text{if } W \in [0.4, 0.45) \\ F & \text{if } W < 0.4 \end{cases}$$

Some remarks to note:

- Students who miss or do poorly on the first midterm should be aware that this is costly, since I am reluctant to deviate from the above grading scheme by shifting the weight to later midterms. I advice that students who miss, or do poorly on, the first midterm drop the course.
- Exams in this course cannot be “deferred.” The Registrar’s Office has stated in writing that:<sup>1</sup> “When students do not or cannot write a mid-term examination (not held during the formal examination period), alternate arrangements to write the mid-term examination should be made within the duration of the course by the course director and individual student *at the discretion of the course director. The Deferred Standing Agreement does not apply.*” (Italics added.)
- The second and third midterm exams cover all material taught in the course up until then (i.e., not only what has been taught since the most recent midterm).

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<sup>1</sup>This message was once posted here (link no longer working):

<http://www.registrar.yorku.ca/exams/deferred/index.htm>

**Assignments:** There will be no formal assignments to hand in, but we will do problems in class that are posted on the course web site. You should make sure you at least *try* to solve them: it's very valuable training.

**Dates for the midterm exams:** The tentative dates for the midterm exams are as follows:

- The first midterm will be held on **Monday October 18, 2021**.
- The second midterm will be held on **Monday November 22, 2021**.
- The third midterm will be held on **Monday December 6, 2021**.

**Length and format of midterms:** The midterm tests are held in class and typically consist of three problems. They are about 2 hours and 15 minutes long.

**Material covered for the midterms (preliminary):**

The **first midterm** will cover the end of Section A of the slides (from “Discussion, Keynesian models are old”), and all of Section B of the slides and the problems, but we skip the section on Union Wage Setting in the slides and Problem B.2.

The **second midterm** will cover all of the material that was covered for the first midterm (see above). It will also cover all of Section C of the slides and the problems, but not Section D.

The **third midterm** will cover all of the material that was covered for the first and second midterms (see above). It also covers the part of Section D of the slides titled “Dynamic (or Time) Consistency”, and Problem D.2. We skip the rest of Section D of the slides (before Dynamic Consistency), and Problem D.1.

We skip Section E altogether.

**Note on academic integrity:** York University publishes information online about the consequences of cheating:

<http://www.yorku.ca/academicintegrity/>

**Tips on communicating by email**

Below are some practical suggestions about how you can translate mathematical expressions into text that you can write in the body of a standard e-mail.

Math	Text
$x^a$	$x^{\{a\}}$
$x_a$	$x_{\{a\}}$
$\frac{a}{b}$	a/b
$\frac{a+b}{c+d}$	(a+b)/(c+d)
$\alpha$	alpha
$\beta$	beta
$\gamma$	gamma
$\sum_{i=a}^b x_i$	sum from i=a to i=b of $x_{\{i\}}$
$\int_{i=a}^b x_i$	integral from i=a to i=b of $x_{\{i\}}$