

JSGS 821 – Macroeconomics for Public Policy

	UNIVERSITY OF SASKATCHEWAN CAMPUS	UNIVERSITY OF REGINA CAMPUS
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OFFICE HOURS:		MWF 3:00p.m.-4:00p.m.
OFFICE LOCATION:		
TERM:		Fall 2021
ROOM:		CL 345
DATE AND TIME:		MWF 11:30 a.m. - 12:20 p.m.

The syllabus for this course is comprised of this document plus the document titled “JSGS Common Syllabus 2021-22.”

INTELLECTUAL PROPERTY ACKNOWLEDGEMENT

Welcome to the University of Regina, with three federated colleges, the First Nations University of Canada, Campion College and Luther College. The University of Regina is situated on Treaty 4 lands with a presence in Treaty 6. These are the territories of the nêhiyawak, Anihšîn̄ap̄ek, Dakota, Lakota, and Nakoda, and the homeland of the Métis/Michif Nation. Today, these lands continue to be the shared Territory of many diverse peoples from near and far. The nêhiyawak originally referred to Regina as oskana k̄a-asast̄eki which literally means "The place where bones are piled up." This is why Regina’s nickname is "Pile O’Bones" and this is the origin of the name of our current location in Wascana Park.

CALENDAR DESCRIPTION

An introduction to the major policy questions of macroeconomics, presenting macroeconomic models to assist policy development. An emphasis is placed on current policy issues including monetary policy, fiscal policy, currency regimes, productivity and growth, demographics patterns and fiscal sustainability. Prerequisites: JSGS 805 or permission.

LEARNING OBJECTIVES

In this course, students will learn:

- Methods of solving dynamic systems of macroeconomic variables and apply them to monetary and fiscal policy analyses.
- Learn and apply Keynesian and new Keynesian IS-LM models in closed and open economies and apply them to understand economic fluctuations and stabilization policies.
- Learn both neoclassical and endogenous growth theories and their empirical applications.

- Identify drivers of long-run growth and productivity and policies that support them
- Study dynamic general equilibrium models with overlapping generations and representative agents in discrete and continuous time.
- Explore the various models of Monetary and Fiscal policy and grasp issue related to inflation control and fiscal sustainability
- Study the economic model for asset pricing and equity premium using the theory of consumption under uncertainty and consumption-based asset pricing model
- Development and demonstrate skills in macroeconomic policy analysis by way of writing a term paper.

COURSE CONTENT AND APPROACH

Advanced macroeconomic models and theories studied in this course utilize differential equations and dynamic optimization (both discrete and continuous time), in addition to graphs, differentiation, integration, and simple system of equations. However, students are not required to know these methods as learning the solution methods (the math techniques) used in advanced macroeconomics is one of the additional objectives of the course. Essential topics in the relevant math techniques are taught before covering the macro topics and students will have supplementary reading materials prepared for additional references. Just be ready to learn!

Attendance and Participation Expectations:

Whether it is via Zoom or in-person, attendance and participation are expected a student who missed attendance for two consecutive sessions will be contacted to explain the reasons. This is a course with a steep learning curve. Student as encouraged to ask questions, and discuss issues and difficulties related to the course both in and outside of the class.

Use of Video Recording of the Course:

Audio/Video conference sessions in this course will be recorded and made available only to students in the course for viewing/listening via URCourses after each session. This is done to ensure that students unable to attend synchronous lectures (in person or via Zoom) due to various reason can listen/view the session later. This will also provide students with the opportunity to review as a study tool. Students may also record sessions for their own use, but they are not permitted to distribute the recordings. Please remember that course recordings belong to the instructor and the University, and are protected by copyright.

Do not download, copy, or share recordings without the explicit permission of the instructor.

Intellectual Property Acknowledgment:

Course materials are provided to you based on your registration in this class, meant for the sole purpose of studying them for this course. My notes and power points are all based on books and journal articles and textbooks listed below. Thus, they cannot be cited as reference in your other academic works, nor can they be distributed for other purposes. My notes are not are designated as open education resources.

This restriction applies to assignment questions, exams, PowerPoint/PDF slides and other course notes. Additionally, the copyright-protected materials created by textbook publishers and authors are provided to you based on license terms and educational exceptions in the Canadian Copyright Act (see <http://laws-lois.justice.gc.ca/eng/acts/C-42/index.html>).

REQUIRED READINGS

Aghion, Philippe and Peter W. Howitt (2008). *Economic Growth*, the MIT Press: MA, NJ

1Note: The references marked _____ are the ones whose e-copies are available at the UofR library. The ones marked | are highly referenced (must haves!).

_____ |Barbosa, Fernando de Holanda (2018). *Macroeconomic Theory: Fluctuations, Inflation, and Growth in Closed and Open Economy*, Springer Nature, Switzerland*

Jones, Charles I. and Dietrich Vollrath (2013). *Introduction to Economic Growth*, 3rd Ed, W.W. Norton & Co.: New York, NY

Mankiw, N. Gregory, David Romer, and David N. Weil (1992). "A contribution to the Empirics of Economics Growth," *The Quarterly Journal of Economics*, 107, 2: 407 - 437

|Romer, David (2017 & 2019). *Advanced Macroeconomics*, 4th or 5th edition; McGraw-Hill: New York, NY.

_____Serletis, Apostoles (2007). *The Demand for Money: Theoretical and Empirical Approaches*,

2nd Edition; Springer Nature: Switzerland

Wickens, Michael (2016). *Macroeconomic Theory: A Dynamic General Equilibrium Approach*, 2nd or 1st Edition; Princeton: New York, NY.

Journal Articles

Barro, Robert J. (1991). "Economic Growth in a Cross Section of Countries," *The Quarterly Journal of Economics*, 106, 2: 407 - 443

Mankiw, N. Gregory (2006). "The Macroeconomist as Scientist and Engineer," *Journal of Economic Perspectives*, 20: 29 - 46

Mankiw, N. Gregory, David Romer, and David N. Weil (1992). "A contribution to the Empirics of Economics Growth," *The Quarterly Journal of Economics*, 107, 2: 407 - 437

Orphanides, Athanasios (2004). "Monetary Policy Rules, Macroeconomic Stability, and Inflation: A Review from the Trenches," *Journal of Money, Credit, and Banking*, 36, 2:151-175

Stadler, George W. (1994). "Real Business Cycle Theories," *Journal of Economic Literature*, 32: 1750 – 1783

COURSE OUTLINE

1 Sticky Price Models

1. Keynesian Models (Barbosa, Ch, 6)

- a) Keynesian and New Keynesian IS Curves in a Closed Economy
- b) Natural Interest Rate
- c) The LM curve and its Micro foundations
- d) The Taylor Rule

e) The Phillips Curve

2. Economic Fluctuations and Stabilizations in a closed Economy (Barbosa, Ch. 7)

3. Open Economy Macroeconomics (Barbosa Ch. 8)

- a) Goods and Services Arbitrage
- b) Interest Rate Arbitrage
- c) Marshall-Lerner Condition
- d) Keynesian and New-Keynesian IS Curves in an Open Economy
- e) Natural Exchange Rate
- f) Taylor Rule in an Open Economy
- g) The Phillips Curve in an Open Economy

4. Economic Fluctuation and Stabilization in an Open Economy (Barbosa, Ch. 9)

2 Mathematical methods needed for each topic will be covered before discussing the topics.

2 Flexible Price and General Equilibrium Models

1. Economic Growth (Various references: Barbosa Chs. 4 - 5; Romer Ch. 2 -4; and Jones and Volrath)

- a) Solow Growth Model
- b) Solow Growth Model with Human Capital
- c) Endogenous growth Theories

2. Consumption under uncertainty and Consumption-based asset pricing (Romer Ch. 8)

3. General Equilibrium Models

- a) Representative agents in discrete time (Wickens)
- b) Representative agents in continuous time (Barbosa, Ch. 1 - 2)
- c) Overlapping generations model (Wickens)
- d) Real business cycle (Romer Ch. 5)

4. Investment and the costs of Capital (Romer, Ch. 9)

3 Monetary and Fiscal Policy Models

1. Government Budget Constraint (Barbosa Ch 10 and Romer Ch. 12)

- a) The Treasury and the Central Bank Balance Sheet
 - b) Public Debt Sustainability
 - c) Inflation Tax and Hyperinflation
 - d) Ricardian Equivalence
 - e) Fiscal Theory of the Price Level
 - f) Sustainable Monetary Regime
2. Monetary Theory and Policy (Barbosa Ch. 11 and Romer Ch 11)
- a) Price of Money
 - b) Optimum quantity of money
 - c) Zero Lower Bound Nominal Interest Rate
 - d) Dynamic Inconsistency and Interest Rate Smoothing
 - e) Inflation Targeting
 - f) The Term Structure of Interest Rates

ASSIGNMENTS

Summarize Mankiw (2006), due on September 17 5%

Presentation based on Barro, Robert J. (1991) or Mankiw, N. Gregory, David Romer, and David N. Weil (1992). - 10%

5 Problem Sets 20%

2 Midterm tests 30%

Test 1: October 25

Test 2: November 23

Term Paper (Due on December 20) 35%

This task is required to evaluate how well students understood the basic growth theories and their Empirical applications. Students are allowed to choose from either of the two articles. It will be due after the lessons on growth theories are finished.

Late Assignments and Exam Deferrals:

Late assignment will be assigned a penalty of 5%; assignments more than a week late will lose a full grade; special circumstances will be considered upon application by the student. Grades for midterm tests and assignments can be transferred if a student can provide a valid reason (sick leave, loss of a family member, or court appearance) within a week. The grades are transferred as follows: Midterm 1 grade will be transferred to midterm 2 while midterm 2 grade will be transferred to the final project. The same sequential rule applies to the assignments except that the last assignment grade will be transferred to the final project.

Students with Special Needs:

Students in this course who, because of a disability, may have a need for accommodations are encouraged to discuss this need with student accessibility as soon as possible.

Academic Integrity and Avoiding Plagiarism

Avoid plagiarism: do not copy answers and solutions from others; do not cheat in exams; and cite sources used in your writing tasks appropriately. Please familiarize yourself with the JSGS regulations and policies governing plagiarism.

3Due dates and timelines are not indicated for some of the tasks since they require that we first cover the pertinent topics, whose pace cannot be predetermined. However, all due dates will be announced at least 10 days ahead.

EVALUATION

Grade Evaluation

Tasks Grade Weight

ENROLLMENT LIMIT

JSGS Common Syllabus 2021-22

LAND ACKNOWLEDGEMENT

The University of Saskatchewan campus of the Johnson Shoyama Graduate School of Public Policy is situated on Treaty 6 Territory and the Homeland of the Métis, while the University of Regina campus is situated on Treaty 4 Territory and the Homeland of the Métis. We pay our respect to the First Nation and Métis ancestors of this place and reaffirm our relationship with one another. As we engage in Remote Teaching and Learning, we would also like to recognize that some may be attending this course from other traditional Indigenous lands. We ask that you take a moment to make your own Land Acknowledgement to the peoples of those lands. In doing so, we are actively participating in reconciliation as we navigate our time in this course, learning and supporting each other.

HONOUR CODE

At the Johnson Shoyama Graduate School of Public Policy (JSGS), we believe honesty and integrity are fundamental in a community dedicated to learning, personal development, and a search for understanding. We revere these values and hold them essential in promoting personal responsibility, moral and intellectual leadership, and pride in ourselves and our University.

As JSGS students, we will represent ourselves truthfully, claim only work that is our own, and engage honestly in all academic assignments.

Since articulated standards and expectations can influence attitudes, and because each of us shares the responsibility for maintaining academic integrity (see below for details on academic integrity at the JSGS), we are committed to upholding the Academic Honor Code.

Academic Honour Pledge

As a member of the JSGS community, I pledge to live by and to support the letter and spirit of JSGS's Academic Honour Code.

REMOTE LEARNING CONTEXT

We acknowledge the complex circumstances in which learning at the JSGS is taking place. Since a remote teaching and learning context is new to both instructors and students, all participations should interact with empathy, patience and care. Links to online learning resources are provided below.

ATTRIBUTES OF JSGS GRADUATES

Through the development of the following competencies, JSGS MPA graduates will be prepared to meet the policy challenges of a rapidly changing world:

- Analysis and Use of Evidence – how to use evidence and develop the necessary analytical skills to succeed in a public administration career;

www.schoolofpublicpolicy.sk.ca

- Politics and Democracy – ensuring that students have a deep understanding of the role of politics and democracy in public policy development including the roles of the various institutions and policy actors; and
- Policy Delivery – the importance of effective service delivery and the ongoing management and evaluation of public policy.

ATTENDANCE AND PARTICIPATION EXPECTATIONS

Students are expected to attend all synchronous sessions, unless otherwise instructed. If you are unable to attend (e.g., Internet problems), you must let the instructor know.

Active participation in class discussion is expected by all students.

USE OF VIDEO AND RECORDING OF THE COURSE

Video conference sessions in this course will be recorded and made available only to students in the course for viewing via Canvas after each session. This is done, in part, to ensure that students unable to join the session (due to, for example, issues with their Internet connection) can view the session later. This will also provide students with the opportunity to review any material discussed. Students may also record sessions for their own use, but they are not permitted to distribute the recordings (see below).

Please remember that course recordings belong to the instructor, the University, and/or others (like a guest lecturer) depending on the circumstance of each session and are protected by copyright. Do not download, copy, or share recordings without the explicit permission of the instructor.

For questions about recording and use of sessions in which you have participated, including any concerns related to your privacy, please contact your instructor. More information on class recordings can be found in the Academic Courses Policy at <https://policies.usask.ca/policies/academic-affairs/academic-courses.php#5ClassRecordings>.

COPYRIGHT

Course materials are provided to you based on your registration in a class, and anything created by your professors and instructors is their intellectual property, unless materials are designated as open education resources. This includes exams, PowerPoint/PDF slides and other course notes. Additionally, other copyright-protected materials created by textbook publishers and authors may be provided to you based on license terms and educational exceptions in the Canadian Copyright Act (see <http://laws-lois.justice.gc.ca/eng/acts/C-42/index.html>).

Before you copy or distribute others' copyright-protected materials, please ensure that your use of the materials is covered under the University's Fair Dealing Copyright Guidelines available at <https://library.usask.ca/copyright/general-information/fair-dealing-guidelines.php>. For example, posting others' copyright-protected materials on the open web is not covered under the University's Fair Dealing Copyright Guidelines, and doing so requires permission from the copyright holder.

For more information about copyright, please visit <https://library.usask.ca/copyright/index.php>. For information on students' rights, see <https://library.usask.ca/copyright/students/rights.php>, or contact the University's Copyright Coordinator at copyright.coordinator@usask.ca or 306-966-8817.

STUDENT RESOURCES

Information on Netiquette. These resources show you how to appropriately connect and communicate in a remote teaching and learning context. The first one is a video made by Martin Boucher and Heather McWhinney for JSGS. The second is a document produced by the Gwenna Moss Centre for Teaching and Learning at the University of Saskatchewan. The last one is a video on how to write a polite email message, also by Martin and Heather.

- <https://usask.cloud.panopto.eu/Panopto/Pages/Viewer.aspx?id=f39a126a-ee27-44f9-9ec5-ac2400e128c7>
- <https://teaching.usask.ca/remote-teaching/netiquette.php>
- <https://studentstest.usask.ca/articles/netiquette.php>

Remote Learning Readiness Tutorial for Students. These resources engage you in learning about the skills associated with remote learning success.

- https://libguides.usask.ca/remote_learning.
- <https://students.usask.ca/remote-learning/index.php>.

Academic Integrity and Avoiding Plagiarism. There are three resources listed below. The first one is a video made especially for JSGS students by Martin Boucher and Heather McWhinney. The second, also a video by Martin and Heather, addresses students' frequently asked questions about citing and paraphrasing. The third is a guide on your responsibilities regarding academic work, your rights, and the supports and services available to ensure you succeed within the larger scholarly community.

- <https://edpuzzle.com/embed/media/5f4f0087b086963f62d35d52>
- <https://usask.cloud.panopto.eu/Panopto/Pages/Viewer.aspx?id=7fd78297-b175-4c47-ba48-ac4300246e16>
- <https://libguides.usask.ca/AcademicIntegrityTutorial>

Using Inclusive Language. These three videos by Martin Boucher and Heather McWhinney address issues of diversity and inclusion in research and language. The first one is general; the second is on conventions for writing about Indigenous Peoples; and the third is on Indigenous expressions.

- <https://usask.cloud.panopto.eu/Panopto/Pages/Viewer.aspx?id=3612d5de-1f72-4573-a3c6-ac24003b3fd3>
- <https://usask.cloud.panopto.eu/Panopto/Pages/Viewer.aspx?id=f1e308cb-eb9c-4c89-9df6-ac8d001d9de0>
- <https://usask.cloud.panopto.eu/Panopto/Pages/Viewer.aspx?id=3c38d24e-2a9b-4b97-ad52-ac43003a1176>

Writing Briefing Notes. Briefing Notes are a critical communication tool in public sector organizations and many private sector organizations too. You can expect to write Briefing Notes in several courses. JSGS has created resources to support your success at preparing Briefing Notes:

- <https://rise.articulate.com/share/coTHcUVvOZB68gCzEJQ2FYfWmxsrPTCd#/>

General Wellness. *Be Well at USask* is a podcast for members of the university community highlighting campus initiatives and resources designed to engage and support. Included are episodes on how to thrive at university, transitioning to remote learning, academic supports, career planning in a crisis, as well as many other student supports. See:

https://www.youtube.com/playlist?list=PLQptLdMDrox2_HZ0XAfHQW6DZoQOhoXes.

LATE ASSIGNMENTS

Late assignment will be assigned a penalty of 5%; assignments more than a week late will lose a full grade of 10%; special circumstances will be considered upon application by the student.

ADDITIONAL EVALUATION INFORMATION

More information on the Academic Courses Policy on course delivery, examinations and assessment of student learning can be found at: <http://policies.usask.ca/policies/academic-affairs/academic-courses.php>

The University of Saskatchewan Learning Charter is intended to define aspirations about the learning experience that the University aims to provide, and the roles to be played in realizing these aspirations by students, instructors and the institution. A copy of the Learning Charter can be found at: <http://teaching.usask.ca/about/policies/learning-charter.php>.

ENROLLMENT LIMIT

Class enrollment will generally be limited to 30 students.

STUDENTS WITH SPECIAL NEEDS

Students in this course who, because of a disability, may have a need for accommodations are encouraged to discuss this need with the instructor and to contact one of the following:

USask: Disability Services for Students (DSS) – 966-7273.

U of R: Coordinator of Special Needs Services – (306) 585-4631.

STUDENTS EXPERIENCING STRESS

Students who are experiencing stress can seek assistance from one of the following:

USask: Student Affairs and Outreach – <https://students.usask.ca/health/centres/student-affairs-and-outreach.php> or call (306) 966-5757.

U of R: Counselling Services – <http://www.uregina.ca/student/counselling/contact.html> or call (306) 585-4491 between 8:30 a.m. to 4:30 p.m. Saskatchewan time Monday to Friday.

ACADEMIC INTEGRITY AND CONDUCT

Understanding and following the principles of academic integrity and conduct is vital to your success in graduate school. Ensuring that your work is your own and reflects both your own ideas and those of others incorporated in your work is important: ensuring that you acknowledge the ideas, words, and phrases of others that you use is a vital part of the scholarly endeavour. The JSGS has developed an Honour Code (see above) that encapsulates these values.

If you have any questions at all about academic integrity in general or about specific issues, contact any faculty member and we can discuss your questions. For more information, please see:

USask: Guidelines for Academic Conduct –

www.usask.ca/university_secretary/council/reports_forms/reports/guide_conduct.php.

U of R: Academic Misconduct – <https://www.uregina.ca/president/executive-team/ed-governance-univ-secretary/student-appeals/student-behaviour.html>

JSGS GRADE DESCRIPTIONS

85+ excellent

A superior performance with consistent strong evidence of:

- a comprehensive, incisive grasp of the subject matter;
- an ability to make insightful critical evaluation of the material given;
- an exceptional capacity for original, creative and/or logical thinking;
- an excellent ability to organize, to analyze, to synthesize, to integrate ideas, and to express thoughts fluently; and
- an excellent ability to apply theories to real-world problems and intersect with related disciplines.

80-85 very good

An excellent performance with strong evidence of:

- a comprehensive grasp of the subject matter;
- an ability to make sound critical evaluation of the material given;
- a very good capacity for original, creative and/or logical thinking;
- an excellent ability to organize, to analyze, to synthesize, to integrate ideas, and to express thoughts fluently; and
- a strong ability to apply theories to real-world problems and intersect with related disciplines.

75-80 good

A good performance with evidence of:

- a substantial knowledge of the subject matter;
- a good understanding of the relevant issues and a good familiarity with the relevant literature and techniques;
- some capacity for original, creative and/or logical thinking;
- a good ability to organize, to analyze, and to examine the subject material in a critical and constructive manner; and
- some ability to apply theories to real-world problems and intersect with related disciplines.

70-75 satisfactory

A generally satisfactory and intellectually adequate performance with evidence of:

- an acceptable basic grasp of the subject material;
- a fair understanding of the relevant issues;
- a general familiarity with the relevant literature and techniques;
- an ability to develop solutions to moderately difficult problems related to the subject material; and
- a moderate ability to examine the material in a critical and analytical manner.