

**ECON 603/703**  
**MACROECONOMICS: PROBLEMS AND POLICIES**  
**Department of Economics**  
**University of Waterloo**  
**Fall 2021**

## **MEETINGS**

**Lecture time:** Monday and Wednesday, 11:00 – 12:20

**Lecture location:** HH 1108

## **INSTRUCTOR INFORMATION**

**Instructor:** Francisco M. Gonzalez

**E-mail:** francisco.gonzalez@uwaterloo.ca

## **OFFICE HOURS**

By appointment.

## **COURSE DESCRIPTION**

This is a topics course for graduate students interested in the functioning of the macro-economy. The Fall 2021 iteration of ECON 603/703 focuses on economic crises.

## **EVALUATION**

Student performance will be evaluated as follows:

Class participation: 10%

Assignments: 75%

Presentation: 15%

Below is the list of assignments and their due dates. Late submission of assignments is not accepted.

# COURSE OUTLINE

## Part 1. Introduction

### Labor market fluctuations

Robert Shimer: “The cyclical behavior of equilibrium unemployment and vacancies,” *American Economic Review*, March 2005, 25-49.

### Banking crises

Douglas Diamond and Philip Dybvig: “Bank runs, liquidity, and deposit insurance,” *Journal of Political Economy*, June 1983, 401-419.

Franklin Allen and Douglas Gale: “Optimal financial crises,” *Journal of Finance*, August 1998, 1245-1284.

## Part 2. The 2007-2009 financial crisis

Markus Brunnermeier: “Deciphering the liquidity and credit crunch 2007-2008,” *Journal of Economic Perspectives*, Winter 2009, 77-100.

Manuel Adelino, Antoinette Schoar and Felipe Severino: “The role of housing and mortgage markets in the financial crisis,” *Annual Review of Financial Economics*, November 2018, 25-41.

Atif Mian and Amir Sufi: “What Explains the 2007-2009 Drop in Employment?” *Econometrica*, November 2014, 2197-2223.

Bengt Holmström: “Understanding the role of debt in the financial system,” January 2015, BIS working paper no. 479.

## Part 3. The Covid-19 crisis

Luiz Brotherhood, Philipp Kircher, Cezar Santos and Michèle Tertilt: “An economic model of the Covid-19 epidemic: The importance of testing and age-specific policies,” CEPR Discussion Paper DP14695, April 2020. [Featured in CEPR, VoxEU, June 12, 2020 (<https://voxeu.org/article/effectiveness-age-specific-policies-and-testing-covid-19>)].

Lei Li, Philip Strahan and Song Zhang: “Banks as lenders of first resort: evidence from the covid-19 crisis,” NBER working paper No. 27256, May 2020.

Stephania Albanesi and Jiyeon Kim: “Effects of the COVID-19 Recession on the US Labor Market: Occupation, Family, and Gender,” *Journal of Economic Perspectives*, Summer 2021, 3-24.

Raj Chetty, John N. Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team: “The economic impacts of COVID-19: evidence from a new public database built using private sector data,” Harvard University, November 2020.

## WEEKLY SCHEDULE

Week 1 (Sept. 8): introduction

Week 2 (Sept. 13, Sept. 15): unemployment fluctuations

Week 3 (Sept. 20, Sept. 22): self-fulfilling banking crises

Week 4 (Sept. 27, Sept. 29): banking crises and fundamentals

Week 5 (Oct. 4, Oct. 6): the 2007-2009 financial crisis

Week 6 (Oct. 11, Oct. 13): READING WEEK

Week 7 (Oct. 18, Oct. 20): housing and mortgage markets

Week 8 (Oct. 25, Oct. 27): the Great Recession

Week 9 (Nov. 1, Nov. 3): the role of debt in the financial system

Week 10 (Nov. 8, Nov. 10): an economic perspective of the Covid-19 epidemic

Week 11 (Nov. 15, Nov. 17): the role of liquidity during Covid-19

Week 12 (Nov. 22, Nov. 24): labor market effects of Covid-19

Week 13 (Nov. 29, Dec. 1): economic impacts of Covid-19

Week 14 (Dec. 6): conclusion

## ASSIGNMENTS

1. (5%) Discuss Shimer (2005, Section I. U.S. Labor Market Facts) (due Sept. 13).
2. (7%) Discuss Diamond and Dybvig (1983) (due Sept. 20).
3. (7%) Discuss Allen and Gale (1998) (due Sept. 27).
4. (7%) Discuss Brunnermeier (2009) (due Oct. 4).
5. (7%) Discuss Adelino et al. (2018) (due Oct. 18).
6. (7%) Discuss Mian and Sufi (2014) (due Oct. 25).
7. (7%) Discuss Holmström (2015) (due Nov. 1).
8. (7%) Discuss Brotherhood et al. (2020) (due Nov. 8).
9. (7%) Discuss Li et al. (2020) (due Nov. 15).
10. (7%) Discuss Albanesi and Kim (2021) (due Nov. 22).
11. (7%) Discuss Chetty et al. (2020) (due Nov 29).

Detailed information about each assignment is found in LEARN, under “Assignments”.

## PRESENTATIONS

1. Oct. 18: Adelino et al. (2018).
2. Oct. 25: Mian and Sufi (2014).
3. Nov. 1: Holmström (2015).
4. Nov. 8: Brotherhood et al. (2020).
5. Nov. 15: Li et al. (2020).
6. Nov. 22: Albanesi and Kim (2021).
7. Nov. 29: Chetty et al. (2020).

## Statements and links to be included on all course outlines:

### [Economics Department Deferred Final Exam Policy](#)

#### **Cross-listed course**

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

#### **Academic Integrity**

**Academic Integrity:** In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity](#) webpage and the [Arts Academic Integrity](#) webpage for more information.

**Discipline:** A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

**Grievance:** A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. [Read Policy 70 - Student Petitions and Grievances](#), Section 4. When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

**Appeals:** A decision made or penalty imposed under Policy 70 - Student Petitions and Grievances (other than a petition) or Policy 71 - Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72 - Student Appeals](#).

#### **Accommodation for Students with Disabilities**

**Note for students with disabilities:** [The AccessAbility Services office](#), located on the first floor of the Needles Hall extension (1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

#### **If you are using Turnitin® in your course**

**Turnitin.com:** Text matching software (Turnitin®) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. Students will be given an option if they do not want to have their assignment

screened by Turnitin®. In the first week of the term, details will be provided about arrangements and alternatives for the use of Turnitin® in this course.

Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin®. See [guidelines for instructors](#) for more information.

**Outlines for ECON 101 and 102 must include the following statement:**

It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their section. Students writing exams in the wrong section will be assessed a 20% penalty on the final exam grade. There will be no accommodation for possible differences in exam material or content.

*(The above statement is also recommended for ECON 201, 206 and 207)*

**NEW – Recommended statements to be included on course outlines**

**Mental Health Support**

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health supports if they are needed.

**On Campus**

- Counselling Services: [counselling.services@uwaterloo.ca](mailto:counselling.services@uwaterloo.ca) / 519-888-4567 ext 32655
- [MATES](#): one-to-one peer support program offered by Federation of Students (FEDS) and Counselling Services
- Health Services Emergency service: located across the creek from Student Life Centre

**Off campus, 24/7**

- [Good2Talk](#): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-433 ext. 6880
- [Here 24/7](#): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](#): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online at the Faculty of ARTS [website](#)

Download [UWaterloo and regional mental health resources \(PDF\)](#)

Download the [WatSafe](#) app to your phone to quickly access mental health support information

**Territorial Acknowledgement**

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabeg and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River.