

School of Economics and Finance

## **ECON 202 MACROECONOMICS**

Second Trimester 2005

### **COURSE OUTLINE**

#### **Contact Details**

Contact with the lecturers is best initiated by email or through making an appointment.

The Course Coordinator is: Professor Viv Hall

Room: RH 401 in Rutherford House, 23 Lambton Quay

Telephone: (04) 463 5081

Email: [viv.hall@vuw.ac.nz](mailto:viv.hall@vuw.ac.nz)

The lectures will be presented by:

Professor Viv Hall, RH 401, and

Dr Peter Chang, RH 402, [peter.chang@vuw.ac.nz](mailto:peter.chang@vuw.ac.nz), telephone (04) 463 6855

#### **Lecture Times and Location**

There will be three fifty-minute lectures per week:

Monday, Wednesday & Thursday,

9.30 am – 10.20 am

Rutherford House Lecture Theatre 1 (RH LT1)

Lecture overheads and other course material will be available from Blackboard.

#### **Course Content**

The central focus of this course is the development of an open economy macroeconomic model and the application of this model to the analysis of open economy macroeconomic issues and policy. ECON 202 provides a more challenging consideration of some of the macroeconomic topics introduced in ECON 140, together with significant new material and perspectives. More specifically, coverage includes the interdependence of macroeconomic activity and markets, the roles of expectations variables, the open economy, the significance of international events, exchange rates, inflation, unemployment and the role of policy. The course also introduces dynamics associated with output adjustments, exchange rates, price and wage adjustments, and the effects of changes in wealth, although more detailed analysis of these and other dynamic issues are taken up in ECON 305.

## Course Objectives

The intended learning outcomes for students who complete this course include:

- (i) A basic understanding of the structure and features of a macroeconomic model;
- (ii) The ability to explain and evaluate the key characteristics of an open-economy macroeconomic model;
- (iii) An understanding of how to use the open-economy macroeconomic model of the type developed in this course to:
  - (a) evaluate how household and firm behaviour, expectations, international events and price and wage setting behaviour influence the macroeconomy;
  - (b) evaluate how government fiscal and monetary policies influence the macroeconomy;
  - (c) evaluate how fiscal and monetary policy might be designed to achieve certain macroeconomic policy objectives.

## Readings

The **text book** for this course is:

**Olivier Blanchard, *Macroeconomics (3rd edition)*, Prentice-Hall, 2003.**

For the Lecture Topics and Chapters in Blanchard to be covered each week, see the attached schedule: **ECON 202 LECTURE PROGRAMME, 2005.**

For additional Blanchard material, you are encouraged to visit the textbook website at:

<http://myphlip.pearsoncmg.com>

Should you wish to supplement your reading from Blanchard, there are many other macroeconomic textbooks available in the library. Some examples are:

- Begg, David (2003), *Economics*, 7<sup>th</sup> ed, McGraw-Hill (introductory)
- Mankiw, N. Gregory (2004), *Principles of economics*, 3<sup>rd</sup> ed, Thomson South-Western (introductory)
- Frank, Robert and Ben Bernanke (2001), *Principles of economics*, McGraw-Hill Irwin (introductory)
- Mankiw, N. Gregory (2002), *Macroeconomics*, 5<sup>th</sup> ed, Palgrave Macmillan (intermediate)
- DeLong, J Bradford (2002), *Macroeconomics*, McGraw-Hill Irwin (intermediate)
- Carlin, W. and D. Soskice (1990), *Macroeconomics and the wage bargain*, New York, Oxford University Press (more challenging)
- Williamson, Stephen D (2005), *Macroeconomics*, 2<sup>nd</sup> ed, Addison Wesley (more challenging)

For a revision of the mathematical and statistical skills ideally required for this course you could refer to one of:

Proffitt, Penelope, (2002), *Maths Made Easy*, Pearson Education New Zealand

- Khaled, Mohammed and Penelope Proffitt (2003), *Mathematics for Business and Economics*, Pearson Education New Zealand
- Clark, Megan and John A Randal (2004), *A first course in applied statistics: with applications in biology, business, and the social sciences*, Pearson Education New Zealand

You are encouraged to keep abreast of macroeconomic developments in New Zealand, as a step towards applying the material taught in this course. In this respect the following will be helpful:

- Dalziel, Paul and Ralph Lattimore (2004), *The New Zealand Macroeconomy: Striving for Sustainable Growth with Equity*, 5th Ed, Oxford University Press
- Dalziel, Paul and John B. Taylor (2002), *Macroeconomics: New Zealand Edition*, Wiley/Houghton Mifflin
- International Monetary Fund (2005), *New Zealand*, Staff Report for the 2005 Article IV Consultation, May; available from [www.imf.org](http://www.imf.org)
- National Bank of New Zealand, ANZ National Bank *Business Outlook* (published monthly), and *Quarterly Economic Forecasts* (QEF); available from [www.nbnz.co.nz](http://www.nbnz.co.nz)
- New Zealand Institute of Economic Research, *Update, Quarterly Predictions*, and *Quarterly Survey of Business Opinion*, Wellington; see [www.nzier.org.nz](http://www.nzier.org.nz)
- OECD (2003), *OECD Economic Surveys: New Zealand*, Dec 2003, Paris, OECD; see [www.oecd.org](http://www.oecd.org)
- Reserve Bank of New Zealand, *Bulletin* (published quarterly), *Monetary Policy Statement* (published four times per year); available from [www.rbnz.govt.nz](http://www.rbnz.govt.nz)
- Reserve Bank of New Zealand, Economics Department, *An Introduction to the Forecasting and Policy System at the Reserve Bank of New Zealand*, [www.rbnz.govt.nz/research/fps](http://www.rbnz.govt.nz/research/fps)
- Statistics New Zealand, *Main Indicators*; see [www.stats.govt.nz](http://www.stats.govt.nz)
- The Treasurer: *The Budget Policy Statement 2005* (14 December 2004); *Fiscal Strategy Report and Budget Economic and Fiscal Update* (19 May 2005); available from [www.treasury.govt.nz](http://www.treasury.govt.nz)
- Westpac (New Zealand Division), various Economic Reports, available from [www.westpac.co.nz](http://www.westpac.co.nz)

Some other Web sites of potential interest:

- |                                       |   |
|---------------------------------------|---|
| The Economist                         | <a href="http://www.economist.com">http://www.economist.com</a>         |
| School of Economics and Finance       | <a href="http://www.sef.fca.vuw.ac.nz">http://www.sef.fca.vuw.ac.nz</a> |
| New Zealand Association of Economists | <a href="http://www.nzae.org.nz">http://www.nzae.org.nz</a>             |
- (These will provide links to other NZ and international economics web sites)

### Assessment Requirements

Provided you meet mandatory course requirements/terms, each student's final grade will come **either** from 100% of the final 3-hour exam grade, **or** from 70% of the final exam grade plus 15% of the average of your 5 best graded tutorial assignments plus 15% from the mid-course test, depending on which gives the higher final grade.

### Mid-course Test

This will be held on **Wednesday 31st August** during the lecture period.

## **Tutorials**

All students are expected to attend one tutorial per week. There will be eleven tutorials. Tutorial groups will be organised during the first week of lectures and will commence in the second week, i.e. from Tuesday, 12th July.

Tutorial assignment questions will be available from Blackboard, in the week preceding each tutorial. You will be expected to complete a written answer for 6 of the 11 tutorials. These 6 will be graded and returned at the tutorial session. They must be handed in to your tutor's box on the Mezzanine floor of Rutherford House by 9.30 am on the Monday preceding that particular tutorial. Late assignments will not be graded. The other 5 tutorials will not require written answers but you will be expected to come to the tutorials prepared to answer questions set.

We expect you to work independently. Discussion of the assigned problems with other students is acceptable, but you should then write up your own answers to the problems. Do not copy someone else's answers – you learn nothing that way, and your work will be penalised if we find out.

Please do not ask tutors for help in solving the assigned problems. You should have a go first. Tutors will go over the solutions at the tutorial session. Regular attendance at tutorials is essential, as no model answers to tutorial problems are provided. If tutors run out of time for some of the questions, please ask them to check your answers to those problems.

You are expected to take an active part in tutorial discussion. There are various ways of doing that, e.g. by volunteering useful comments, or by answering questions put to the class (or to you specifically) by the tutor.

## **Mandatory Course Requirements/Terms**

Terms requirements specify the mandatory course requirements that students must complete in order to pass the course. To qualify for terms in this course you must average at least 50% from your 5 best graded tutorial assignments (of which there are 6). You will be advised which assignments are to be graded. If you fail to fulfil the mandatory course requirements, you will not receive a graded result for the course, and your records will show an ungraded fail (i.e. a “Q”).

## **Communication of Additional Information**

Communication of additional information will take place through an Announcement posted on Blackboard, or the lodging of a relevant document on Blackboard.

## ECON 202 LECTURE PROGRAMME, 2005

Lecture No	Topic	Chapters in Blanchard 3rd Edition
1	Introduction to the course; NZ and the International Economy	1
2, 3	Origins and Core of Macroeconomic Ideas; Macro interdependencies	27, 2
4	The Basics of the Goods Market	3
5, 6	The Basics of Financial Markets	4
7, 8	The Basic IS-LM Model	5
9	The Basics of Expectations	14
10	Expectations and Financial Markets	15
11	Expectations in the Goods Market	16
12	Expectations and the IS-LM Model	17
13	Transactions with the International Economy	18
14, 15	The Goods Market In an Open Economy	19
16, 17	Financial Markets In An Open Economy	20
18	Summing up, and the material ahead	As above
19	The Labour Market and Wage Setting	6
20	TEST	
21	Goods – Price Determination	6
22, 23, 24	General Equilibrium: Basics of Aggregate Supply and Demand	7
25, 26, 27	The Phillips Curve, Inflation, Disinflation and Unemployment	8, 9
28	Exchange rate adjustments and regimes	21
29	Depressions and slumps; and High Inflation	22, 23
30, 31	Should Policy Makers Be Restrained?	24
32, 33	Monetary Policy	25
34, 35	Fiscal Policy	26
36	Summing Up	As above

## **Faculty of Commerce and Administration Offices**

### Railway West Wing (RWW) - FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications.

### Easterfield (EA) - FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office, will be open from 9:00 am to 5:00 pm during Trimester 2, offers the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

Please note:

There will be a Student Administration Adviser, from the RWW office, based in EA005 from Monday 27 June to Friday 1 July (9:00 am to 5:00 pm) and from Monday 4 July to Friday 22 July (11:00 am to 1:00 pm).

## **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

## **Student Conduct and Staff Conduct**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at:

[www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

The policy on Staff Conduct can be found on the VUW website at:

[www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

## **Academic Grievances**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

[www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

## **Academic Integrity and Plagiarism**

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. **Plagiarism is prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

*'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.*

### ***Plagiarism is not worth the risk.***

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

*Find out more about plagiarism and how to avoid it, on the University's website at: [www.vuw.ac.nz/home/studying/plagiarism.html](http://www.vuw.ac.nz/home/studying/plagiarism.html).*

## **Students with Disabilities**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Suzanne Freear is the School of Economics and Finance Disability Liaison Person. She can be contacted via [Suzanne.Freear@vuw.ac.nz](mailto:Suzanne.Freear@vuw.ac.nz), phoned on 463-5380, or visited at room 327, Rutherford House.

## **Student Support**

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz).

## **Maori and Pacific Mentoring programme (Manaaki Pihipihinga)**

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: [Maori-Pacific-Mentoring@vuw.ac.nz](mailto:Maori-Pacific-Mentoring@vuw.ac.nz)