

School of Economics and Finance

## **ECON 305 Macroeconomics: Growth, Cycles and Sustainability**

Trimester One 2009

### **COURSE OUTLINE**

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#### **Names and Contact Details**

Dr Geoff Bertram (course coordinator) [geoff.bertram@vuw.ac.nz](mailto:geoff.bertram@vuw.ac.nz) RH 423 (ext. 5814)

Professor Viv Hall [viv.hall@vuw.ac.nz](mailto:viv.hall@vuw.ac.nz) RH 401 (ext 5081)

#### **Trimester Dates**

Monday 2 March to Wednesday 1 July 2009

#### **Class Times and Room Numbers**

##### ***Lectures:***

Mondays, Tuesdays and Wednesdays: 1.40-2.30 pm. The Monday lecture is in RH LT2 and the Tuesday and Wednesday lectures are in GB LT2.

##### ***Tutorials:***

There will be four tutorial groups, meeting weekly on Tuesday and Wednesday at four of the following times and rooms, all in Railway West Wing. A survey will be carried out at the first class to allocate students into groups and to determine which times are finally used. Please come prepared to fill in your first, second and third preferences from the list, and to indicate any times for which you have unavoidable timetable clashes.

Tuesday 9.30-10.20 am in RWW 127  
Tuesday 10.30 – 11.20 am in RWW 312  
Tuesday 11.30-12.20 am in RWW 127  
Tuesday 3.40- 4.30 pm in RWW 127  
Wednesday 9.30 – 10.20 am in RWW 127  
Wednesday 10.30-11.20 am in RWW 415

### *Mandatory Course Requirement (MCR) Tests:*

Dates and times to be arranged. One test is to be just before the mid-trimester break, and the other is to be in the second-to-last week of the trimester.

Note that you must sit – not pass - both tests as part of the course MCRs

**Withdrawal dates:** Information is available via  
<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

### **Course Content**

This course assumes a basic knowledge of the macroeconomic models taught in ECON 202, or an equivalent for students joining from other universities.

The first half of the course (Weeks 1-6) provides an introduction to market-clearing (“Walrasian”) macro models and the real-business-cycle (RBC) models of aggregate fluctuations, which focus primarily on shocks originating from the supply side in an economy with perfectly flexible adjustment mechanisms. The aim is to make students familiar with major theoretical developments in macroeconomics during the past two decades that have flowed from the so-called “new-classical” or “real business cycle” perspective.

The second half (Weeks 7-12) discusses new-Keynesian macroeconomic models based on the assumptions of monopolistic competition amongst firms on the supply side, and strategic behaviour in the labour market. Key issues in this area will be price and wage stickiness; explanations for unemployment; stability issues and transition dynamics in macroeconomic models in the short, medium and long term; monetary policy under inflation targeting; and the Phillips Curve in a small open economy.

As appropriate, theoretical insights will be related to current developments in the New Zealand and global economies.

### **Course Learning Objectives**

By the end of this course a student should be able to:	
<b>C1</b>	understand and show familiarity at advanced undergraduate level with developments in modern macroeconomic theory.
<b>C2</b>	present and discuss those developments professionally
<b>C3</b>	comprehend and articulate intertemporal closed economy and open economy market-clearing models and real business cycle theories
<b>C4</b>	comprehend and articulate modern theories of economic growth
<b>C5</b>	comprehend and articulate the consequences of assuming imperfect competition and quantity rationing in goods and labour markets
<b>C6</b>	analyse the short and medium run dynamics of adjustment, following macroeconomic shocks to models with imperfect information
<b>C7</b>	understand and explain the theoretical basis for central bank inflation-targeting and use of monetary rules, and the consequences of alternative monetary policies
<b>C8</b>	comprehend and articulate explanations for unemployment
<b>C9</b>	comprehend and articulate stability issues and transition dynamics in macroeconomic models
<b>C10</b>	be familiar with modern analysis of the Phillips Curve and the consequences of including imported intermediate goods in an open economy macroeconomic model

## Expected Workload

Lecture attendance three hours per week; tutorial preparation and participation six hours per week; reading textbook and other material, writing-up, and revising for tests etc, four hours per week. Total around 13 hours per week. These are guidelines only; you should expect your performance in the course to be positively related to the amount of time and effort you put in.

## Group Work

Students are encouraged to discuss the tutorial assignments amongst themselves in advance of each session, and those scheduled to present are expected to work out within the group an agreed order of speaking, and allocation of presentation tasks. However each student's presentation, and the written answers submitted at the end of the session, must be their own work. Simply copying answers from others working on the assignment will be treated as plagiarism.

## Readings

There are two prescribed texts for the course, both of which students are expected to purchase:

Williamson, Stephen D., *Macroeconomics* (third edition), Pearson-Addison-Wesley 2008.

Carlin, W and Soskice, D *Macroeconomics: Imperfections, Institutions and Policies* Oxford: Oxford University Press, 2006.

A concise and useful review article on the current state of theoretical and applied macroeconomics, by Michael Woodford, appeared in the new journal *American Economic Journal: Macroeconomics* Vol.1 No 1, January 2009, pp.267-279. A pdf file of this is on Blackboard under Course Materials/Readings.

Useful supplementary texts are:

Bénassy, Jean-Pascal, *The Macroeconomics of Imperfect Competition and Nonclearing Markets: a Dynamic General Equilibrium Approach*, MIT Press 2002 (challenging)

Blanchard, Olivier, *Macroeconomics* (fourth edition), Prentice-Hall 2006 (this was last year's ECON 202 textbook so many of you will have copies to which you are encouraged to refer back).

Heijdra, B. and Van der Ploeg, F., *Foundations of Modern Macroeconomics*, Oxford University Press 2002 (strongly recommended to students with good maths)

Farmer, Roger, *Macroeconomics* (second edition), South-Western, 2002.

Wickens, M., *Macroeconomic Theory: A Dynamic General Equilibrium Approach*, Princeton University Press 2008 (a brand new state-of-the-art text)

Additional reading will be prescribed for each topic from other books and from the journal literature.

### **Assessment Requirements**

Students' final grades will be taken as the greater of:

**EITHER:**        tutorial assignments (20%)  
                         two one-hour tests (15% each)  
                         final examination (50%)

**OR:**                final examination (100%)

### **Examinations**

The final examination will be in the period Friday 12 June to Wednesday 1 July 2009 (inclusive). Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

### **Penalties**

Work submitted late will not be marked unless a prior arrangement has been made with the Course Coordinator, Dr Bertram.

### **Mandatory Course Requirements**

Terms ("mandatory course requirements") are satisfied by students completing in writing, and verbally presenting, three tutorial assignments to a satisfactory standard, and sitting both tests.

### **Communication of Additional Information**

Additional information will be posted on Blackboard.

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

### Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services 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. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

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

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building on the ground floor (EA005). This counter is the first point of contact for:

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

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

## **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to [www.victoria.ac.nz/home/about/policy/students.aspx](http://www.victoria.ac.nz/home/about/policy/students.aspx)

For information on the following topics, go to the Faculty's website [www.victoria.ac.nz/fca](http://www.victoria.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

## **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. The University defines plagiarism as follows:

*The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.*

It is still plagiarism even if you re-structure the material or present it in your own style or words.

*Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.*

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

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

Find out more about plagiarism, and how to avoid it, on the University's website:

[www.victoria.ac.nz/home/studying/plagiarism.html](http://www.victoria.ac.nz/home/studying/plagiarism.html)

### **Manaaki Pihipihinga Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 6015. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or phone (04) 463 5842.