

School of Economics and Finance

ECON 305 Macroeconomics: Growth, Business Cycles and Sustainability

Trimester One 2010

COURSE OUTLINE

Names and Contact Details

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

Professor Viv Hall (course coordinator): viv.hall@vuw.ac.nz RH 401 (ext 5081)

Associate Professor Christoph Thoenissen: christoph.thoenissen@vuw.ac.nz RH 427 (ext 6855)

Trimester Dates

Teaching Period: Monday 1st March – Friday 4th June 2010

Study Period: Monday 7th June – Thursday 10th June 2010

Examination Period: Friday 11th June – Wednesday 30th June 2010 (inclusive)

Class Times and Room Numbers

Lectures:

Mondays, Tuesdays and Thursdays, 3.40 - 4.30 pm in GB LT1.

Tutorials:

There will be either four or five tutorial groups, meeting weekly on Tuesdays and Thursdays at four or five of the following times and rooms. A survey will be carried out at the first class to assist in allocating students to groups and to determine which times are finally used. Please come prepared to fill in your first through to fifth preferences from the list, and to indicate any times for which you have unavoidable timetable clashes.

Tuesday 1.40 - 2.30 pm in RWW 413

Tuesday 4.40 – 5.30 pm in RWW 413

Thursday 10.30 -11.20 am in RWW 413

Thursday 11.30 am - 12.20 pm in RWW 413

Thursday 12.40 - 1.30 pm in RWW 314

Thursday 1.40 – 2.30 pm in RH G03

Thursday 4.40 – 5.30 pm in RH G03

Withdrawal from Courses:

Information available via:

Withdrawal dates: Late withdrawals with Associate Dean (Students) permission
(See Section 8: Withdrawals - from the Personal Courses of Study Statute)

<http://policy.vuw.ac.nz/Amphora!~policy.vuw.ac.nz~POLICY~000000001743.pdf>

Withdrawal dates: refunds:

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

Mandatory Course Requirements

In addition to obtaining an overall course mark of 50% or more, you must:

- 1. complete in writing, and verbally present, three tutorial assignments to a satisfactory standard; and**
- 2. sit both tests**

One test will be just before the mid-trimester break, and the other will be in the second-to-last week of the trimester. Specific dates and times will be advised via Blackboard.

Failure to meet mandatory requirements does not prevent a student completing other pieces of assessment, including any final examination. (See section 2 of the Assessment Handbook).

Course Content

This course assumes a basic knowledge of the macroeconomic models taught in ECON 202, or equivalent knowledge 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. The primary focus is on shocks originating from the supply side in an economy with perfectly flexible adjustment mechanisms. An overarching 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) covers 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 the course, students should be able to:

1. understand and show familiarity at advanced undergraduate level with developments in modern macroeconomic theory
2. present and discuss those developments professionally
3. comprehend and articulate intertemporal closed economy and open economy market-clearing models and real business cycle theories
4. comprehend and articulate modern theories of economic growth
5. comprehend and articulate the consequences of assuming imperfect competition and quantity rationing in goods and labour markets

6. analyse the short and medium run dynamics of adjustment, following macroeconomic shocks to models with imperfect information
7. understand and explain the theoretical basis for central bank inflation-targeting and use of monetary rules, and the consequences of alternative monetary policies
8. comprehend and articulate explanations for unemployment
9. comprehend and articulate stability issues and transition dynamics in macroeconomic models
10. be familiar with modern analysis of the Phillips Curve and the consequences of including imported intermediate goods in an open economy macroeconomic model

Course Delivery - Lectures

To get an initial understanding of key subject matter, you should attend all lectures.

- Tutorials, and Penalties

All students are expected to attend their tutorial each week. There will be eleven tutorials. Allocation to tutorial groups will be completed during the first week of lectures, and the first tutorial group sessions will commence in the second week, i.e. from Tuesday 9 March. The allocations to tutorial groups will be posted on Blackboard.

Tutorial assignment questions will be available from Blackboard.

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

Expected Workload

In 2010, ECON 202 is a 24-point course, and as VUW has designated one point = 10 hours work, expected work load would total 240 hours. If that workload were spread over 15 weeks, hours expected would average around 16 hours per week. This would involve attending four hours of classes (3 lectures plus one tutorial per week for the 12 teaching weeks), plus reading for and completing tutorial assignment work and preparing for the tests and final exam for approximately 13 hours per week over 15 weeks. The 13 hours would of course vary for individual students, depending on the student's previous knowledge and understanding, and the final grade to which the student aspires.

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. 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 scholarly review by Dr David Vines of the Carlin and Soskice text has been published in the *Economic Record*, 85(268), March 2009, 114-116, available on Blackboard. Additional reading will be prescribed for each topic from other books and from the journal literature.

Assessment Requirements

In the context of a student having satisfied the Mandatory Course Requirements, the student's final grade will taken as the greater of:

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

OR: final three-hour examination (100%)

Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period from

Examination Period: Friday 11th June – Wednesday 30th June 2010

Class Representative

A class representative is to be elected in the first class, and that person's name and contact details will be available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

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.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

<http://www.victoria.ac.nz/home/about/policy>

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/