

School of Economics and Finance

ECON402 ADVANCED MACROECONOMIC THEORY A

Trimester One 2012

COURSE OUTLINE

Names and Contact Details

Course Coordinator and Lecturer (Weeks 1-6):

Dr. Chia-Ying Chang

Contact Information: Room 231, Level 2, Rutherford House,
23 Lambton Quay, Pipitea Campus.
Phone: 463 6146; Fax: 463 5146
Email: chia-ying.chang@vuw.ac.nz

Office Hours: by appointment.

Lecturer (Weeks 7-12):

Dr. Christoph Thoenissen

Contact Information: Room 210, Level 2, Rutherford House,
23 Lambton Quay, Pipitea Campus,
Phone: 463 6855; Fax: 463 5146
Email: christoph.thoenissen@vuw.ac.nz

Office Hours: by appointment.

Administrator:

Bonnie Riley, Room 321, Level 3, Rutherford House,
Phone: 463 5380
Email: bonnie.riley@vuw.ac.nz

Trimester Dates

Teaching Period: Monday 5 March – Friday 8 June

Study Period: Monday 11 June – Thursday 14 June

Examination Period: Friday 15 June – Wednesday 4 July (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 16 March 2012.
2. The standard last date for withdrawal from this course is Friday 18 May control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation.

The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers

Lecture time: Wednesdays 10:30-12:20pm, RWW125

Note that there will be no lecture on ANZAC Day, Wednesday 25 April

Prerequisite: ECON305, QUAN203

Co-Requisites: ECON403

Course Content

ECON402 commences with a brief perspective on major modern approaches to macroeconomic theory. It then introduces models based on a representative agent's inter-temporal optimisation problem. It is shown how the issues that pertain to consumption, investment and fiscal policy are investigated in these models.

The course then covers linear rational expectations models in some analytical detail. The concept of rational expectations and the characteristics of rational expectations solutions are discussed. Issues that pertain to macroeconomic stabilisation policy under rational expectations, e.g. the Lucas critique, policy neutrality, discretionary policy vs. rules, are reviewed. Implications of rational expectations for the behaviour of foreign exchange markets and business cycles are also discussed.

The primary emphasis in ECON 402 is on theory, but the policy relevance of theory and issues arising from empirical evidence are also given attention.

| Week(s) | Topics |
|----------------|---|
| 1 | Historical Performances and Modern Approaches in Macroeconomic Theory |
| 2 | Models of Economic Growth |
| 3 | Consumption and Investment |
| 4 | Financial Markets and the Macroeconomy |
| 5 | Policies |
| 7-8 | The Rational Expectations Hypothesis and Solutions of Rational Expectations Model |
| 8-9 | Flexible v.s. Sticky Price Model of Exchange Rate Determination |
| 10-12 | Business Cycle Fluctuations |

Course Learning Objectives

The learning objectives of ECON402 are:

1. To provide students with a comprehensive knowledge of modern open economy macroeconomic theory.
2. To develop knowledge in New Classical Macroeconomics.
3. To formulate and solve macroeconomic problems analytically.
4. To generate a general appreciation of how policymakers can use the analysis in practice.

Course Delivery

There will be 11 meetings in total for the whole trimester. Each meeting takes two hours per week. Students are expected to attend every lecture, and read the articles before and after the lectures.

Expected Workload

Class attendance: 2 hours/week

Reading and Reviewing: 7 hours/week

Assignments: 1 hours/week on average

Readings

The following books and journal articles will be used in several sections of the course during weeks 1-5. The detailed reading list for weeks 1-5 will be distributed in the 1st lecture time.

- Aghion, Phillip, and S. Durlauf, *Handbook of Economic Growth*, ed. , Amsterdam : Elsevier, 2005.
- Friedman, Benhamin M., and Frank H. Hahn, *Handbook of Monetary Economics*, ed. Amsterdam ; New York : North-Holland, 1990.
- McCallum, Bennett T, *Monetary Economics: Theory and Policy*, New York, Macmillan, 1989, Pp 356 + xii.
- Obstfeld and Rogoff, *Foundations of International Macroeconomics*, MIT Press, 1996.
- Taylor, John, and Michael Woodford, *Handbook of Macroeconomics*, ed. Amsterdam ; Oxford : Elsevier, 1999.
- Walsh, Carl E, *Monetary Theory and Policy*, 2nd Edition, Cambridge, MIT Press, 2003.
- Woodford, Michael, “The Return of Monetary Rules”, Chapter 1, *Interest and Prices*, Princeton, Princeton University Press, 2003.

Journal Articles: (all available on line via VUW library website)

- American Economic Review
- Econometrica
- Journal of Economic Education
- Journal of Economic Literature
- Journal of Economic Perspectives
- Journal of Monetary Economics,
- Scandinavian Journal of Economics,

Assessment Requirements

Students are expected to read the relevant literature before each meeting and to take part in class discussion.

10% one research paper

(due Wednesday 4 April at 10:30am before class in PDF/Word format via email to Chia-Ying, chia-ying.chang@vuw.ac.nz)

10% one assignment

(due Monday 23 April at 4pm to drop box on Rutherford House Mezzanine level)

20% one assignment

(due Wednesday 30 May at 10:30am in class)

60% final examination (two hours)

Quality Assurance 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 Friday 15 June – Wednesday 4 July (inclusive).

Penalties

Any late assignment will be awarded a grade of zero (unless a VALID medical certificate issued by a licensed medical centre is presented or a valid form of proof that an extension is warranted).

Mandatory Course Requirements

Two assignments and one report must be submitted ON TIME.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made 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

The additional information or information on changes will be conveyed to students via lectures and Blackboard.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

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

Find key dates, explanations of grades and other useful information at

www.victoria.ac.nz/home/study

Find out about academic progress and restricted enrolment at

<http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy,

except qualification statutes, which are available via the Calendar webpage at

<http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

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

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

Faculty of Commerce and Administration Offices

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

Te Putahi Atawhai

Maori and Pacific Mentoring Programme

<http://www.victoria.ac.nz/tpa/>