

School of Economics and Finance

## ECON 141 MACROECONOMIC PRINCIPLES

Trimester 2, 2015

### COURSE OUTLINE

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#### Names and Contact Details

Lecturer:	Dr Stephen Burnell Email: <a href="mailto:stephen.burnell@vuw.ac.nz">stephen.burnell@vuw.ac.nz</a> Office hours: contact via email	RH205 463 5764
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Course Administrator:	Pinky Shah <a href="mailto:pinky.shah@vuw.ac.nz">pinky.shah@vuw.ac.nz</a>	RH319 463 5818

#### Trimester Dates

Teaching Period: Monday 13 July – Friday 16 October

Study Period: Monday 19 October – Thursday 22 October

Examination Period: Friday 23 October – Saturday 14 November (inclusive)

#### Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 24 July 2015.
2. The standard last date for withdrawal from this course is Friday 25 September 2015. After this date, students 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 or [online](#).

#### Class Times and Room Numbers

CRN 27005	Wednesdays and Fridays	2.10-3.00pm	KKLT303
CRN 27008	Wednesdays and Fridays	4.10-5.00pm	KKLT303

#### Expected Workload

The expected workload for ECON 141 is 150 hours in aggregate; 15 hours per week for the eight weeks of lectures, plus 30 hours (in total) during the break and study period (week 10). During the lecture weeks, you should expect to spend two hours in lectures, one hour in a tutorial (starting in week 2 through to week 10), and ten to twelve hours reading, preparing, and completing assessment.

## Course Delivery

The course material will be delivered via 24 lectures (three hours of lectures per week for 8 weeks), plus eight tutorial sessions. It is essential that students have access to the course site on Blackboard.

## Group Work

There is no group work for ECON 141.

## Prescription

An introduction to macroeconomics, including fiscal and monetary policies, the international sector, and analysis of income-expenditure, IS-LM and aggregate demand-aggregate supply models.

## Course Learning Objectives

This course is intended as a first course in macroeconomics. It exposes students to the use of simple economic models, and so prepares students for further study in ECON and FINA courses. Analysis of these models will sometimes require knowledge of elementary mathematics, such as graphing lines and algebra.

At the end of the course, students should be able to:

- describe and explain key macroeconomic variables
- analyse the basic income-expenditure model of macroeconomics
- analyse the basic IS-LM model of the economy
- analyse the macroeconomic impact of fiscal and monetary policy
- analyse the macroeconomic impact of international trade and open economies.

## Course Content

Note that this is a broad outline only. It is sufficient to enable students to read ahead of lectures and put themselves in a position to benefit from lectures. However, individual lecturers will sometimes deviate from the order given here. The chapter references are from Case, Fair and Oster, *Principles of Economics*, (Global Edition), 11<sup>th</sup> edition. The page references indicate where the textbook addresses the specific issues.

### 1. Introduction to macroeconomics

Lectures 1-2

GDP: Production, income and expenditure  
Components of aggregate expenditure

Chapters 20, 21

### 2. The income-expenditure model

Lectures 3-4

Equilibrium output (simple and with government)  
Fiscal multipliers

Chapters 23, 24

### 3. The goods market

Lectures 5-6

Aggregate expenditure and equilibrium output  
Interest rates, investment, and consumption  
The IS curve

Chapters 23, 24, 27

#### **4. The money market**

Lectures 7-8

Chapters 25, 26, 27

Overview of money  
The modern banking system and money creation  
Money supply  
Money demand: the transactions and speculative motives for money  
Equilibrium in the money market  
Monetary policy and the monetary policy rule (LM/Fed Rule curves)

#### **5. The AD curve**

Lectures 9-10

Chapter 27

The AD curve  
The AD curve and the monetary policy rule

#### **6. The AS curve**

Lectures 11-12

Chapters 28, 29

The short-run AS curve  
The long-run AS curve  
Inflation and inflation expectations  
The short-run and long-run Phillips curves

#### **7. The dynamics of a shock to the economy**

Lectures 13-16

Chapters 28, 30

The short-run and long-run dynamics of a shock  
Stabilisation policy (monetary and fiscal), automatic stabilisers  
What caused the economy to slow down in 2009?

#### **8. Exchange rates**

Lectures 17-18

Chapters 34, 35

Balance of payments  
Definitions of exchange rates  
The foreign exchange market

#### **9. The foreign sector**

Lectures 19-22

Chapter 35

Equilibrium output in an open economy; open economy multiplier  
The nominal and real exchange rate  
Factors that affect exchange rates  
The effects of exchange rates on the economy  
Monetary/fiscal policy and exchange rates  
Open economy shocks

#### **10. Linking microeconomics and macroeconomics**

Lectures 23-24

Chapter 33

Ricardian Equivalence: will a tax cut have an impact on GDP?  
The Laffer curve: could a tax cut lead to higher tax revenue?

## Course Delivery

The course material will be delivered via 24 lectures (two hours of lectures per week for 12 weeks), plus eight tutorial sessions. It will be essential that students have access to the course Blackboard.

Week	Lecture	Lecture topic	Text references	Tutorial
Week 1	L1 L2	1. Introduction to macroeconomics	444-449, 455-465	
Week 2	L3 L4	2. The income-expenditure model	498-505, 510-518	1: L1-2
Week 3	L5 L6	3. The goods market	491-498, 577-578, 587-588	2: L3-4
<i>Online test 1 closes at 11.30pm on 2 Aug</i>				
Week 4	L7 L8	4. The money market	534, 540-543, 547- 552, 559-567, 578- 581, 602	DT
<i>Online test 2 closes at 11.30pm on 9 Aug</i>				
Week 5	L9 L10	5. The AD curve	581-584, 595-597	3: L5-8
Week 6	L11 L12	6. The AS curve	584-587, 573-576, 480-482, 599-600, 614-621	4: L9-10
<i>Online test 3 closes at 11.30pm on 23 Aug</i>				
<i>Mid-trimester break (2 weeks)</i>				
Week 7	L13 L14	7. The dynamics of a shock to the economy	592-594, 597-598, 630-639	5: L11-12 DT
<i>Online test 4 closes at 11.30pm on 13 Sep</i>				
Week 8	L15 L16	Dynamics (continued)		DT
<i>Multi-choice test – 6.30pm on Tue 15 Sep</i>				
Week 9	L17 L18	8. Exchange rates	702-704, 720-723, 728-731	6: L13-16
<i>Assignment due by 11.55am on Fri 25 Sep</i>				
Week 10	L19 L20	9. The foreign sector	724-728, 731-738	7: L17-18
<i>Online test 5 closes at 11.30pm on 4 Oct</i>				
Week 11	L21 L22	The foreign sector (continued)		DT
<i>Online test 6 closes at 11.30pm on 11 Oct</i>				
Week 12	L23 L24	10. Linking microeconomics and macroeconomics	685-686	8: L19-22

\* DT indicates that a Duty Tutor session is scheduled for this week. See Blackboard for details.

## Readings

The required textbook for the course is:

Karl Case, Ray Fair, and Sharon Oster, *Principles of Economics* (Pearson), 11<sup>th</sup> edition (Global Edition), 2014, ISBN 10: 0-273-78999-6. The 10<sup>th</sup> edition can also be used.

Lecture notes, including key definitions and concepts for the course, have been placed on the ECON 141 Blackboard site. These will be essential for many of the examples given in the course, and for the assignment.

The most appropriate Supplementary reading, which you will find helpful but which is not required, will vary according to your particular interests, experience and aptitude but may well include the following texts in the library.

David Begg, Stanley Fischer and Rudiger Dornbusch, *Economics*, (McGraw-Hill), 9<sup>th</sup> edition, 2008.

Robert Frank and Ben Bernanke, *Principles of Economics*, (McGraw-Hill), 3<sup>rd</sup> edition, 2007 or 2<sup>nd</sup> edition, 2004.

Jerry Mushin, *Income, Interest Rates and prices: An Overview of Macroeconomic Theory* (Dunmore Press), third edition 1999.

Joseph E Stiglitz and Carl E Walsh, *Economics* (W W Norton), 4<sup>th</sup> Edition (International Student Edition), 2006, ISBN 0-393-92622-2.

## Tutorials

Tutorials will be held in teaching weeks 2, 3, 5, 6, 7, 9, 10, and 12 (starting week 2).

Tutorials are groups of students and a tutor, meeting for fifty minutes, for eight weeks of the course. They provide a forum for discussion and to work through set exercises.

You need to sign up for a tutorial group online: <https://student-sa.victoria.ac.nz/>. Tutorial signup will be available from 12pm on Thursday 9 July 2015. Sign up as early as possible to get your first choice of day/time.

You must attend the tutorial group to which you are assigned. If, because of work or timetable clashes, you are no longer able to attend your allocated tutorial, you must notify the course administrator, to assist you to find a suitable tutorial time.

Tutorial exercises and discussion material are specified on Blackboard. This can be accessed at [www.blackboard.vuw.ac.nz](http://www.blackboard.vuw.ac.nz). The exercises have been designed to give structure to the tutorials and to provide a focus for discussion, but the tutorials may range beyond these exercises.

You are expected to prepare for tutorials by keeping up with the prescribed reading and by attempting the exercises in advance of your session, in writing.

The *duty tutor sessions* differ from the group tutorials. The duty tutor provides a free, drop-in service where you can ask any questions relating to course content. See Blackboard for details.

## Materials and Equipment

Only silent non-programmable calculators or silent programmable calculators with their memories cleared may be taken into the test and examination. For tutorials and study, students should be familiar with basic Excel skills.

## Assessment

The Assessment Handbook will apply to all VUW courses: see

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

<i>Item</i>	<i>Weight</i>	<i>Submission/due date</i>
Assignment	6%	due 11.55am, Friday 25 September – submit via Blackboard
Online tests	9%	via Blackboard – see below
Multi-choice test	25%	6.30pm-7:20pm, Tuesday 15 September (50 minutes)
Examination	60%	TBA (two hours)

**Assignment:** The assignment topic will be available on Blackboard. You will be asked to submit your assignment electronically through Blackboard. Please ensure that you submit it as either a .doc or .pdf file, as we cannot guarantee that the assignment markers will be able to read other formats. Your assignment mark plus comments from the marker will also be communicated through Blackboard.

The assignment may require you to draw a diagram. It is important that such a diagram is accurate and so using Excel – or similar software – will be desirable. Handwritten diagrams, of which scanned copies can be submitted on .pdf files, are acceptable.

Plagiarised assignments (for all involved parties) is unacceptable and will not only count as being missed, but may result in disciplinary action against all the students concerned.

### **Reconsideration of assessment item:**

- A student who considers that the mark awarded for their assignment is unfair should complete the 'Request for Reconsideration of Assessment Item' form on Blackboard.
- Applications for reconsiderations must be made before 5pm on Friday 23 October.
- Submit the completed form – with your assignment – to SEF reception (level 3, Rutherford House, Pipitea Campus).
- The course coordinator will respond to any points raised, but is not required to remark the work.

**Online tests:** The online tests consist of 20 multi-choice questions to be completed after studying the relevant topic. You will complete them via Blackboard. They can be found in the content area called *Online tests*. There are 6 such tests and your assessment will be based on all of these. Each test will shut down at 11.30pm on the announced Sunday. On the following Monday morning, the test will be available for study purposes, in the content area *Tests for study purposes*.

### **Notes for online tests:**

- You may sit each online test as many times as you like before the test shuts down.
- You are strongly advised to complete the tests during standard work hours.
- If you choose to complete a test on the weekend and experience a technical error, there is no IT support and your mark will not be changed.
- Each test that you open must be submitted within 20 minutes.
- If you open a test and close it without finishing it, the test will auto submit after 20 minutes. If you start a new attempt of the same test during this time, it may result in your final score being recorded as zero. To avoid this potential issue, ensure that you use the submit button before you exit the test, even if you have not attempted the test.
- If your final attempt does not display a numerical score (for example, an exclamation mark), then you will need to resit the test or have your score recorded as zero.
- For each test, the mark for your final attempt (which may include an auto submitted attempt) will be the one recorded and used to determine your grade.
- Contact the course administrator if you have any issues with the test.

**Multi-choice test:** The test will be held on Tuesday 15 September 2015 at 6.30pm. The format is 40 multi-choice questions and the time allowed for completion of the test is 50 minutes. The test will cover the first four topics of the course. In particular, all the material covered in lectures up to the end of lecture 10, and the application materials and all the reading specified in the course outline as relevant for those lectures will be examinable. See Blackboard for last year's test as a guide.

**Examination:** The final examination will be two hours. It will consist of a mix of multi-choice questions, analytical questions and short essays.

### **Penalties**

Each online test and the assignment has a due date. If you fail to submit an assessment item by the due date or miss a test, your mark will be entered as a zero unless either written permission has been granted **in advance** by the Course Administrator, or there are clear medical reasons for non-attendance, supported by written evidence from a doctor.

### **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 submitted to Turnitin. A copy of submitted materials will be retained 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.

### **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 following period:

Friday 23 October – Saturday 14 November (inclusive)

### **Mandatory Course Requirements**

There are no mandatory course requirements for ECON 141.

If you cannot complete an assignment or sit a test or examination, refer to

[www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat](http://www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat)

### **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**

Additional information will be conveyed to students via Blackboard. Emails may also be sent to you from time to time to the email address recorded under Student Records.

### **Student feedback**

Student feedback on University courses may be found at

[www.cad.vuw.ac.nz/feedback/feedback\\_display.php](http://www.cad.vuw.ac.nz/feedback/feedback_display.php)

### **Link to general information**

For general information about course-related matters, go to

<http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

### **Use of assessed work for quality assurance**

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

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