

School of Economics and Finance

ECON202 OPEN-ECONOMY MACROECONOMICS

Trimester 2, 2015

COURSE OUTLINE

Names and Contact Details

Lecturers:	Stephen Burnnell	RH205
	Email: stephen.burnell@vuw.ac.nz	Ph: 463-5764
	Office hours: Tuesday & Thursday 14:00-15:30	
& Course Coordinator	Yothin Jinjarak	RH231
	Email: yothin.jinjarak@vuw.ac.nz	Ph: 463-9532
	Office hours: Tuesday & Thursday 10:20-11:20	
Course Administrator:	Alice Fong	RH318
	Email: alice.fong@vuw.ac.nz	Ph: 463-5353

Trimester Dates

Teaching Period:	Monday 13 th July – Friday 16 th October
Study Period:	Monday 19 th October – Thursday 22 nd October
Examination Period:	Friday 23 rd October – Saturday 14 th November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 24th July 2015.
2. The standard last date for withdrawal from this course is Friday 25th September. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ form 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

Tuesday and Thursday 15:40-16:30 in RHLT1

Pre-requisite: ECON140 (or ECON141)

Course Delivery

24 lectures, 8 tutorials; lecture notes and course material will be available from Blackboard.

Tutorials

All students are expected to attend one tutorial per week, for 8 weeks in teaching weeks 3, 4, 5, 6, and 9, 10, 11, 12. Allocation to tutorial groups (posted on Blackboard) should be completed during the second week of lectures. In the event of any difficulties with tutorial allocations, please contact Ms Alice Fong (alice.fong@vuw.ac.nz; RH318).

Tutorial assignment questions will be available from Blackboard, in the week preceding each tutorial. You will be expected to complete a written answer for 4 of the 8 tutorials, specifically for tutorial assignments 2, 4, 6, 7, due at the beginning of teaching weeks 4, 6, 10, 11, respectively. The tutorial papers for grading must be handed in to your tutor's box on the Mezzanine floor of Rutherford House by 2pm on the Monday of that particular tutorial week (for example, your first written assignment is due on the Monday of teaching week 4). They will then be graded and returned at the tutorial session for that week. Late assignments will not be graded. The other 4 tutorials (teaching weeks 3, 5, 9, 12) will not require written answers but you will be expected to come to the tutorials prepared to contribute towards answers to these questions.

Please do not ask tutors in advance for help in solving the questions assigned to be graded. We expect you to submit your own work. Discussion of the assigned questions with classmates is acceptable, but you should write up your own answers to the questions – there is a penalty for copied answers.

Tutors will go over the solutions at the tutorial session. Regular attendance at tutorials is essential, as no model answers to tutorial questions will be provided on Blackboard.

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

Group Work

There is no group work in this course.

Expected Workload

3 hours in class per week (2 lectures, plus 1 tutorial, per week), and to spend 8 hours per week reading, studying, and completing assignment questions. While lectures run for 12 weeks (and tutorials for 8 weeks), it is expected that study outside lectures and tutorials will be spread over a 15-week period.

Prescription

Applications of an open economy macroeconomic model to macroeconomic issues and policy, including the interdependence of macroeconomic activity and markets, the roles of expectations variables and other dynamic adjustment mechanisms, the significance of international events, exchange rate regimes, inflation, unemployment.

Course Learning Objectives

By the end of this course, students should be able to:

1. describe the interdependent nature of key macroeconomic variables and markets, and the dynamics of responses to economic shocks
2. analyse goods and financial market behaviour in the basic IS-LM model
3. explain the role of expectations variables in financial and goods markets
4. analyse how open economy financial and goods markets operate under fixed and flexible exchange rate regimes
5. analyse the supply side of a macro-economy: the labour market, wage setting and price determination, natural rates of unemployment

6. analyse the open-economy AD-AS model with natural output levels, and use it to explain the dynamics of responses to demand-side and supply-side shocks
7. explain modern open economy Phillips curves, inflation and unemployment tradeoffs, natural/potential economic growth rates, and their variations over time
8. assess the pros and cons of alternative exchange rate regimes, and explain how they provide different adjustment mechanisms for domestic and external economic shocks
9. analyse monetary and fiscal policies, and explain the conditions under which they should and should not be used

Course Content

ECON202 is an intermediate level open-economy macroeconomics course, which provides a more detailed consideration of some of the macroeconomic topics introduced in ECON140, together with additional material and perspectives. It features applications of an open economy macroeconomic model to macroeconomic issues and policy, including the interdependence of macroeconomic activity and markets, the roles of expectations variables and other dynamic adjustment mechanisms, and the significance of international events, exchange rate regimes, inflation, and unemployment. More detailed analyses of these and other dynamic issues are taken up in ECON305.

Readings

The text for this course is: Olivier Blanchard and David W. Johnson, *Macroeconomics* (6th edition), Pearson, 2012.

Lecture Programme

Teaching weeks	Course Learning Objectives	Lecturer
1-6	1-5	Stephen Burnell
7-12	6-9	Yothin Jinjarak

Materials and Equipment

There is no specific equipment and machine required in tests and examinations for this course.

Assessment

The Assessment Handbook will apply to all VUW courses: see

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

15% from tutorial assignments

15% from the mid-course test 15:40-16:30 September 8th, 2015

70% from the final exam (2 hours)

Preparing for and sitting the mid-course test will assist the student to achieve Course Learning Objectives 1-5; completing the tutorial assignments will assist the student to achieve Course Learning Objectives 1-9; preparing for and sitting the final exam will assist the student to achieve Course Learning Objectives 1-9.

Penalties

Late tutorial assignments will be given a grade of zero.

Copied answers in tutorial assignments will be subject to a penalty of grade deduction.

Failure to sit in the mid-course test will result in a grade of zero.

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 23rd October – Saturday 14th November (inclusive)

Mandatory Course Requirements

There is no mandatory course requirement for ECON202. If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat. Any student who is concerned that they have been (or might be) unable to meet any of the MCRs because of exceptional personal circumstances, should contact the course coordinator as soon as possible.

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

Link to general information

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

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 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.

ECON 202 LECTURE PROGRAMME, 2015

<i>Lecture No</i>	<i>Topic</i>	Chapters in Blanchard 6th Edition
1	Introduction to the course; NZ and the International Economy	1, 2
2	Origins and Core of Macroeconomic Ideas; Macro interdependencies	25
3	Basic IS/LM model: Goods market	3
4	Basic IS/LM: Financial Markets	4
5	Basic IS/LM: Model solution, Shocks	5
6	Future period IS-LM, via expected C & I	14.1-14.3; 15.1; 16; 17
7	Open economy: key measures	18
8	Open economy: goods market IS	19
9	Fixed Exchange Rate IS/LM	20 (espec. 20.1-20.2, Appendix)
10	Floating Exchange Rate IS/LM	20 (espec. 20.3 – 20.4)
11	The Labour Market and WS curve	6.1 – 6.3
12	PS, WS/PS, NRU	6.4 – 6.6, Appendix
13	TEST in lecture period (Sept. 8 th , 2015)	As for Lecture 1 – Lecture 12
14	Deriving the basic AS/AD	7.1 – 7.3, 7.7
15	Shocks to basic AS/AD, via MP and FP	7.3 – 7.5, 7.7
16	Open economy AS/AD, with imported int. goods	7.6, 7.7
17	Unemployment and Inflation expectations	8.1, 8.2
18	Phillips curve, dynamic model	8.2, 8.3
19	Exchange rate adjustments and regimes	20.5, 21.1, 21.2, 21.4
20	Policy uncertainty, time inconsistency, credibility, monetary policy	22
21	Government budget constraint	23.1, 23.2
22	Fiscal cycles	23.3, 23.4
23	Inflation costs/benefits and monetary policy	24.1, 24.2
24	Monetary policy frameworks	24.3, 24.4
