

School of Economics and Finance

## **ECON 212 MACROECONOMICS: GROWTH, STABILITY AND CRISES**

Trimester 2, 2015

### **COURSE OUTLINE**

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#### **Course coordinator, Lecturer and Tutor(Weeks 7-12):**

Dr. Chia-Ying Chang.

Room 308, Rutherford House, Pipitea campus, Wellington.

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Office hours: Tuesdays 11am-12:30pm and by appointments.

#### **Lecturer and Tutor (Weeks: 1-6)**

Rio Yonson

Room 209, Rutherford House, Pipitea campus, Wellington.

Phone: (04) 463-7287

E-mail: [rio.yonson@vuw.ac.nz](mailto:rio.yonson@vuw.ac.nz)

Office hours: Wednesday 9 am-10:30am and by appointments.

#### **Administrator:**

Alice Fong

Room 318, Rutherford House, Pipitea campus, Wellington.

Phone: (04) 463-5353.

E-mail: [Alice.Fong@vuw.ac.nz](mailto:Alice.Fong@vuw.ac.nz)

#### **Prerequisites:**

ECON 141 (or ECON140)

#### **Trimester Dates**

Teaching Period: Monday 13<sup>th</sup> July – Friday 16<sup>th</sup> October

Study Period: Monday 19<sup>th</sup> October – Thursday 22<sup>nd</sup> October

Examination Period: Friday 23<sup>rd</sup> October – Saturday 14<sup>th</sup> November (inclusive)

#### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 24<sup>th</sup> July 2015.
2. The standard last date for withdrawal from this course is Friday 25<sup>th</sup> 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' 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**

There are two 50-minute lectures per week:

Tuesdays and Thursdays from 10:30am-11:20am in GBLT1 (Government Building LT1).

There are five tutorial groups, starting from the 3<sup>rd</sup> week (Monday 27 July). Students are required to attend the tutorial they have signed up for.

The finalised tutorial sessions in which students must attend will be posted on Blackboard by Thursday afternoon, 23 July.

Students are required to attend the tutorial sessions. You can sign up for a tutorial via S-CUBED, URL <https://signups.victoria.ac.nz>. Tutorial sign up will be available from 7am Wednesday 15 July to 6pm Wednesday, 22 July. In the event of any difficulty with tutorial allocations, please contact the administrator.

### **Course Delivery**

The course is delivered through a series of 24 lectures and 8 tutorials (weeks 3-5, 7, and 9-12). It is important for students to attend lectures and tutorials ON TIME and to PARTICIPATE in every one of them.

### **Expected Workload**

Attendance at classes (Lectures and tutorial): 3 hours per week

Reading and reviewing: 5 hours per week

Doing assignments: 2 hours per week

### **Prescription**

An introduction to dynamic macroeconomic processes and recurrent problems, including the recent global instability. Themes covered include the theory of economic growth, productivity, business cycle theory and the causes of banking crises, exchange rates and the international transmission of these processes.

### **Course Learning Objectives**

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

1. Understand the nature of dynamic macroeconomic process.
2. Apply dynamic macroeconomic theory to current and recent crises
3. Understand theories of economic growth
4. Understand theories of the business cycle
5. Understand the international transmission of growth and crises
6. Analyse significant economic crises in the 20th and 21st centuries, including the Great Depression (1930s) and the Asian Financial Crisis (1997)
7. Analyse significant transnational developments in the 20th and 21st centuries

### **Course Content**

*The chapters in the table are based on the 6<sup>th</sup> edition of the required text by Blanchard and Johnson stated below, but exclude math.*

Week	Topic	Resources
1, 2	Introduction	Chap. 1&2, pp23-39-60. Dalziel and Lattimore (2004)
3	The Goods Market	Chap. 3, pp63-82.
4, 5	The Financial Market/Money Market Exchange Rate	Chap. 4&5&18, pp83-104-128&pp399-418.

6	The Labour Market	Chap. 6, pp131-152.
7	Growth: The Facts and Sustainability	Chap. 10, pp225-244 Abramovitz (1986)
8	Savings, Capital Accumulation, and Output	Chap. 11, pp245-268.
9,10	Technological Progress and Growth: The short, medium, and long run	Chap. 12&13, pp269-286-308.
11	Expectations: financial markets, consumption, and investment	Chap. 14&15&16, pp309-332-356-376. Brooks and Evans (1978)
12	The Crises: Great Depression, Asian Financial Crisis, and Global Financial Crisis	Chap. 9, pp203-224. Parker (2002), Bernanke (1993) Stiglitz (1996) Stiglitz (2000), FSA (2009), Bollard and Gaitanos (2010), Pol (2012)

### Readings

**(Required)** Olivier Blanchard and David R. Johnson (2013), *Macroeconomics*, 6<sup>th</sup> edition, Pearson Publisher.

**Supplementary readings** (available in Commerce Library):

- Abramovitz, Moses (1986), “Catching Up, Forging Ahead, and Falling Behind”, *Journal of Economic History*, Vol 46 (2).
- Barro, R., and X. Sala-i-Martin, *Economic Growth*, McGraw Hill Publisher.
- Bernanke, Ben (1993), “The World on a Cross of Gold”, *Journal of Monetary Economics*, Vol. 31.
- Bollard, Alan, and Sarah Gaitanos (2012), *Crisis: One Central Bank Governor and the Global Financial Collapse*, Auckland University Press.
- Brooks, John, and Robert Evans (1978), *Macroeconomic Policy in Theory and Practice*, Allen and Unwin Ltd, London, p58-67.
- Dalziel, Paul, and Ralph Lattimore (2004), *The New Zealand Macroeconomy* [5<sup>th</sup> ed], Oxford University Press, p1-24.
- Grimes, Arthur, Frank Holmes, and Roger Bowden (2000), *An ANZAC dollar?: Currency Union and Business Development*, Institute of Policy Studies, Victoria University of Wellington.
- Molle, William (2006), *The Economics of European Integration: Theory, Practice, Policy*, Ashgate Publications, Aldershot, p183-205.
- Mullhearn, Christopher, and Howard Vane (2008), *The Euro: Its Origins, Development and Prospects*, Edward Elgar Publishing, Cheltenham.
- Parker, Randall (2002), *Reflections on the Great Depression*, Edward Elgar Publishing, Cheltenham, p1-24.
- Pol, Eduardo (2012), “The Preponderant Causes of the USA Banking Crisis 2007–08”, *The Journal of Socio-Economics*, Vol 41 (5).
- Stiglitz, Joseph (1996), “Some Lessons from the East Asian Miracle”, *World Bank Research Observer*, Vol 11(2).
- Stiglitz, Joseph (2000), “Capital Market Liberalization, Economic Growth, and Instability”, *World Development*, Vol 28(6).
- *The Turner Review: A Regulatory Response to the Global Financial Crisis*, Financial Services Authority, London, 2009, p11-49.

### Assessment.

The Assessment Handbook will apply to all VUW courses: see

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

**Either** 30% from the three best tutorial assignments, plus 15% mid-trimester test (1 hour), plus 55% final examination (2 hours)

**Or** 100% final examination, whichever is greater.

Preparing for and sitting the mid-course test will assist the student to achieve Course Learning Objectives 1 and 4; completing all the Tutorial Assignments will assist the student to achieve Course Learning Objectives 1 to 7; preparing for and sitting the Final Exam will assist the student to achieve Course Learning Objectives 1 to 7.

There are four marked assignments in total. The due dates are **5pm Mondays**, 27 July (week 3), 10 August (week 5), 21 September (week 9), 5 October (week 11).

The mid-trimester test will be in class on **Thursday 20 August (week 6) from 10:30 to 11:20am**. More details will be announced on blackboard. The test will be reviewed in the tutorials on week-7 (7-11 September).

Tutorials assignment questions will be available on Blackboard, in the week preceding each tutorial. Students are expected to turn in all four assignments.

Assignments must be:

- (i) completed independently;
- (ii) either typed or legible handwritten. All illegible handwriting will receive zero mark.
- (iii) placed in the tutor's box #84 on the Mezzanine floor of Rutherford House by 5pm on the Mondays preceding that particular tutorial.
- (iv) students should keep a copy for presentation purpose, as the assignment won't be returned until the following week.

Students are expected to work independently. Discussion of the assigned problems with other students is accepted, but students should write up their own answers to the problems. Do not copy someone else's answers—you learned nothing that way and your work will be penalised if proved guilty of plagiarism, which is subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalised severely.

**Please do not ask tutors for help in solving the assigned problems.** Students should do the assignment by themselves first. Solutions will be discussed at the tutorial sessions, so **NO** model answer to tutorial problems will be provided. Regular attendance of lectures and tutorial sessions are important.

Students are encouraged to be active in tutorial discussion, including answering questions, providing useful comments...etc.

### **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).

### **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<sup>rd</sup> October – Saturday 14<sup>th</sup> November (inclusive).

### **Mandatory Course Requirements**

In addition to obtaining an overall course mark of 50 or better, students must

1. Turn in at least *three* assignments on time;
2. Attend **75%** of tutorials sessions

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.

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 and information on changes will be conveyed to students in class or via blackboard.

### **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>

### **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.

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