

School of Economics and Finance

## **ECON 141 MACROECONOMIC PRINCIPLES**

Trimester 3, 2015

### **COURSE OUTLINE**

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#### **Names and Contact Details**

Course Coordinator/Lecturer:	Dr Adrian Slack <a href="mailto:adrian.slack@vuw.ac.nz">adrian.slack@vuw.ac.nz</a> Office hours: by appointment	RH315 463 5125
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 16 November 2015 – Friday 5 February 2016 (inclusive)

Study Period: Monday 8 February 2016 – Sunday 14 February 2016

Examination Period: Monday 15 February 2016 – Saturday 20 February 2016 (inclusive)

#### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before 27 November 2015.
2. The standard last date for withdrawal from this course is 26 January 2016.

After the last date stated in #2, 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.

#### **Class Times and Room Numbers**

Wednesdays 1.10-2.00pm KKL303

Thursdays 12.00-1.50pm KKL303

#### **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 three hours in lectures, one hour in a tutorial (starting in week 2), and ten to twelve hours reading, preparing, and completing assessment.

#### **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-MPR model of the economy
- Analyse the macroeconomic impact of fiscal and monetary policy
- Demonstrate understanding of the role of the supply-side of the economy
- Assess the causes and analyse the consequences of macroeconomic shocks
- 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 Chapters 20, 21  
GDP: Production, income and expenditure  
Components of aggregate expenditure

### 2. The income-expenditure model

Lectures 3-4 Chapters 23, 24  
Equilibrium output (simple and with government)  
Fiscal multipliers

### 3. The goods market

Lectures 5-6 Chapters 23, 27  
Aggregate expenditure and equilibrium output  
Interest rates, investment, and consumption  
The IS curve

### 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 (MPR/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 (three hours of lectures per week for 8 weeks), plus eight tutorial sessions. It will be essential that students have access to the course on Blackboard.

Week	Lecture	Lecture topic	Text references	Tutorial
Week 1	L1	1. Introduction to macroeconomics	444-449, 455-465	
	L2			
	L3	2. The income-expenditure model	498-505, 510-518, 528-529	
Week 2	L4			1: L1-2
	L5	3. The goods market		
	L6			
Week 3	L7	4. The money market	534, 540-543, 547-552, 559-567, 578-581, 602	2: L3-4
	L8			
	L9	5. The AD curve	581-584, 595-597	
<i>Online test 1 closes at 11.30pm on Sun 6 Dec</i>				
Week 4	L10			3: L5-6
	L11	6. The AS curve	584-587, 573-576, 480-482, 599-600, 614-621	
	L12			
<i>Online test 2 closes at 11.30pm on Sun 13 Dec</i>				
Week 5	<i>Assignment due: Thursday 17 Dec (11.55am)</i>			
	L13	7. AD-AS model and the dynamics of a shock to the economy	592-594, 597-598, 630-639	4: L7-10
	L14			
L15				
<i>Online test 3 closes at 11.30pm on Sun 20 Dec</i>				
<i>University closed from Tuesday 22 Dec 2015 and reopens on Tuesday 5 Jan 2016</i>				
Week 6	<i>Extended break for ECON 141 (5-10 Jan 2016 inclusive)</i>			
Week 7	L16			5: L11-12
	L17	8. Exchange rates	702-704, 720-723, 728-731	
	L18			
<i>Multi-choice test – 1pm on Monday 11 January</i>				
Week 8	L19	9. The foreign sector	724-728, 731-738	6: L13-16
	L20			
	L21	The foreign sector (continued)		
<i>Online test 4 closes at 11.30pm on Sun 24 Jan</i>				
Week 9	L22			7: L17-18
	L23	10. Linking microeconomics and	685-686	
	L24	macroeconomics		
<i>Online test 5 closes at 11.30pm on Sun 31 Jan</i>				
Week 10	Tutorials as scheduled, no lectures			8: L19-22
	<i>Online test 6 closes at 11.30pm on Sun 7 Feb</i>			

## **Tutorials**

Tutorials will be held in teaching weeks 2, 3, 4, 5, 7, 8, 9, 10.

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 12 November 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.

## **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.

## **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, Thursday 17 December – submit via Blackboard
Online tests	9%	via Blackboard – see below
Multi-choice test	25%	1:00pm, Monday 11 January (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. Your assignment mark plus any 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.

A plagiarised assignment (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 Monday 18 January.
- 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 six 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*.

**\*\* See Blackboard for important notes that you should read *before* attempting the online tests \*\***

**Multi-choice test:** The test will be held on Monday 11 January 2016 at 1.00pm. 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 six topics of the course. In particular, all the material specified up to the end of lecture 12, the application materials and all the reading specified in the course outline as relevant for those lectures will be examinable. Last year's test is available on Blackboard as a guide.

**Examination:** The final examination will be two hours, closed book. It is a comprehensive exam: all course content and materials are assessable. 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 (as provided in the course delivery schedule). Failure to successfully submit an item by this time will result in a mark of zero being awarded.

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:

15-20 February 2016

## **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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