

School of Economics and Finance

ECON 141 MACROECONOMIC PRINCIPLES

Trimester 2, 2016

COURSE OUTLINE

Prescription

An introduction to macroeconomics, including fiscal and monetary policies, the international sector, and analysis of income-expenditure, IS-MPR 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
- analyse the macroeconomic impact of international trade and open economies
- assess the causes and consequences of economic growth.

Trimester Dates

Teaching Period: Monday 11th July – Friday 14th October

Study Period: Monday 17th October – Thursday 20th October

Examination Period: Friday 21st October – Saturday 12th November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 22nd July 2016.
2. The standard last date for withdrawal from this course is Friday 23rd September 2016. 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](#).

Names and Contact Details

Course Coordinator/Lecturer:	Dr Adrian Slack adrian.slack@vuw.ac.nz Office hours: by appointment	RWW 116 463 5125
Lecturer:	Robert Kirkby robert.kirkby@vuw.ac.nz Office hours: by appointment	RWW 109
Course Administrator:	Francine McGee francine.mcgee@vuw.ac.nz Office hours: Monday – Friday 8.00am-4.00pm	RWW 120 463 5818

Class Times and Room Numbers

Tuesday and Thursday	2.10-3.00	KKLT303
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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), 11th edition. The page references indicate where the textbook addresses the specific issues.

1. Introduction to macroeconomics	Chapters 20, 21
L1 – 2 GDP: Production, income and expenditure Components of aggregate expenditure	
2. The income-expenditure model	Chapters 23, 24
L3 – 4 Equilibrium output (simple and with government) Fiscal multipliers	
3. The goods market	Chapters 23, 27
L5 – 6 Aggregate expenditure and equilibrium output Interest rates, investment, and consumption The IS curve	
4. The money market	Chapters 25, 26, 27
L7 – 8 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	Chapter 27
L9 – 10 The AD curve The AD curve and the monetary policy rule	

6. The AS curve	Chapters 28, 29
L11 – 12 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	Chapters 28, 30
L13 – 16 The short-run and long-run dynamics of a shock Stabilisation policy (monetary and fiscal), automatic stabilisers	
8. Growth	Chapters 22, 23
L17 – 18 Output growth and output growth per capita The capital stock, capital per worker Technological change	
9. Exchange rates	Chapters 34, 35
L19 – 20 Balance of payments Definitions of exchange rates The foreign exchange market	
10. The foreign sector	Chapter 35
L21 – 22 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	
11. Linking microeconomics and macroeconomics	Chapter 33
L23 – 24 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 one-hour tutorial sessions. Students must have access to the course Blackboard site.

Week	Lecture	Lecture topic	Text references	Tutorial
Week 1	L1-2	Introduction to macroeconomics	444-449, 455-465	
Week 2	L3-4	The income-expenditure model	498-505, 510-518, 528-529	1: L1-2
Week 3	L5-6	The goods market <i>Online test 1 closes 31 July</i>	491-498, 577-578	2: L3-4
Week 4	L7-8	The money market <i>Online test 2 closes 7 August</i>	534, 540-543, 547-552, 559-567, 578-581, 602	3: L5-6
Week 5	L9-10	The AD curve	581-584, 595-597	3: L5-8
Week 6	L11-12	The AS curve <i>Online test 3 closes 21 August</i>	584-587, 573-576, 480-482, 59-600, 614-621	4: L9-10
<i>Mid-trimester break (22 August – 4 September)</i>				
Week 7	L13-14	AD-AS model and the dynamics of a shock to the economy <i>Multi-choice Test – Tuesday 6 September, 6.30pm</i> <i>Online test 4 closes 11 September</i>	592-594, 597-598, 630-639	5: L11-12
Week 8	L15-16	Dynamics (continued)		
Week 9	L17-18	Growth <i>Assignment due – Friday 23 September</i>	484-486, 667-677	6: L13-16
Week 10	L19-20	Exchange rates <i>Online test 5 closes 2 October</i>	702-704, 720-723, 728-731	7: L17-18
Week 11	L21-22	The foreign sector <i>Online test 6 closes 9 October</i>	724-728, 731-738	8: L19-20
Week 12	L23-24	Linking microeconomics and macroeconomics	685-686	

Tutorials

Tutorials will start from week 2 (see table above for the weeks that they will be held in). Please note that there will not be tutorials in every week. Tutorials are groups of students and a tutor, meeting for fifty minutes, for eight weeks of the course. They provided 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 11.00am on Thursday 7 July 2016. Read the [myAllocator Help Guide](#) before signing up to tutorials online. Sign up as early as possible to get your first choice of day/time, especially if you have other commitments/limited availability.

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. 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.

PASS (Peer Assisted Study Support) – “Smart students PASS”:

Research shows that studying with others can improve your grades. The PASS (Peer Assisted Study Support) programme offers optional study sessions, led by students who have successfully passed the course. PASS Leaders promote ‘active’ learning, and group members meet for one hour a week, working together to develop effective strategies for success.

If you would like to take part in this programme, listen out for details in class and on Blackboard. PASS begins in Week 3. Sign-up online in Week 2: www.victoria.ac.nz/st_Services/slss/whats-on/pass.aspx (NB: you will need to log-in using your student ID and password).

Readings

The required textbook for the course is:

Karl Case, Ray Fair, and Sharon Oster, *Principles of Economics* (Pearson), 11th edition (Global Edition), 2014, ISBN 10: 0-273-78999-6. The 10th 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), 9th edition, 2008.

Robert Frank and Ben Bernanke, *Principles of Economics*, (McGraw-Hill), 3rd edition, 2007 or 2nd 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), 4th Edition (International Student Edition), 2006, ISBN 0-393-92622-2.

Expected Workload

The expected workload for ECON 141 is 150 hours in total: 10 hours per week for the 12 weeks of lectures (weeks 4 and 5 count as one week – see page 4), plus 30 hours (in total) during the break and study period. In the lecture weeks, you should spend 2 hours in lectures, 1 hour in a tutorial (for 8 weeks), and 7 hours on independent study, such as reading, preparing, and doing assessment.

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 23 September – submit via Blackboard
Online tests	9%	via Blackboard – see below
Multi-choice test	25%	6.30pm, Tuesday 6 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 Word (.doc or .docx) or PDF (.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 3 October 2016
- Submit the completed form – with your assignment – to SEF reception (Level 1, Room 111, Railway West Wing, 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 Tuesday 3 May 2016 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 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.

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aeerotat

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 21st October – Saturday 12th November (inclusive)

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.

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.

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php.

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 regularly be placed on the course Blackboard site. You will also receive emails sent to the email address recorded on Student Records. Please check at the start of the course that this is the address you want to use.

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.
