

School of Economics and Finance

ECON202 OPEN-ECONOMY MACROECONOMICS

Trimester 2, 2016

COURSE OUTLINE

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

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. Analyse the supply side of a macro-economy: the labour market, wage setting and price determination, natural rates of unemployment, modern open economy Phillips curves, inflation and unemployment trade-offs, natural/potential economic growth rates, and their variations over time
4. 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
5. Analyse how open economy financial and goods markets operate under fixed and flexible exchange rate regimes, assess the pros and cons of alternative exchange rate regimes, and explain how they provide different adjustment mechanisms for domestic and external economic shocks
6. 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.

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

Lecturers:	Jonathan Chiu Email: jonathan.chiu@vuw.ac.nz Office hours: TBA	RWW110 Ph: 463-9728
& Course Coordinator	Yothin Jinjarak Email: yothin.jinjarak@vuw.ac.nz Office hours: TBA	RWW108 Ph: 463-9532
Course Administrator:	Alice Fong Email: alice.fong@vuw.ac.nz	RWW120 Ph: 463-5353

Class Times and Room Numbers

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

Course Delivery

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

Lecture Programme

Teaching weeks	Course Learning Objectives	Lecturer
1-6	1-3	Jonathan Chiu
7-12	4-6	Yothin Jinjarak

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; RWW120).

Tutorial assignment questions will be available from Blackboard, in the week preceding each tutorial. You will be expected to complete a written answer for assigned *two* of the 8 tutorials, specifically for tutorial assignments 4 & 8, due at the beginning of teaching weeks **6 & 12**, respectively. The tutorial papers for grading must be handed in to your tutor's box on the 1st floor of RWW by **2:00pm on the Monday** of that particular tutorial week (for example, your first written assignment is due on the Monday of teaching week 6). They will then be graded and returned at the tutorial session for that week. Late assignments will not be graded. The other 6 tutorials 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).

Readings

Olivier Blanchard and David W. Johnson, *Macroeconomics* (6th edition), Pearson, 2012.

Mandatory course requirements

In addition to achieving an overall pass mark of at least 50%, students must complete both (TWO) assigned tutorials and sit a mid-trimester test. If you believe that exceptional circumstances may prevent you from meeting the mandatory course requirements, contact the Course Coordinator for advice 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

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.

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

25% from the mid-course test [*September 8, 2016*]

60% from the final exam (2 hours)

Preparing for and sitting the mid-course test will assist the student to achieve Course Learning Objectives 1-3; completing the tutorial assignments will assist the student to achieve Course Learning Objectives 1-6; preparing for and sitting the final exam will assist the student to achieve Course Learning Objectives 1-6.

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

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.

Group Work

There is no group work in this course.

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.

Materials and Equipment

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

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 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.

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

Lecture No	Teaching Week (<i>tutorials start week 3</i>) <*** submission due Monday 2:00pm>	Topic	Chapters in Blanchard 6th Edition
1	1	Introduction Measure of aggregate output	1,2
2		Important macro variables and relations	2
3	2	Goods market (I)	3
4		Goods market (II)	3
5	3	Financial markets (I)	4
6		Financial markets (II)	4
7	4	IS-LM model (I)	5
8		IS-LM model (II)	5
9	5	Labor market	6
10		AS-AD model (I)	7
11	6***	AS-AD model (II)	7
12		Phillips Curve	8
13	7 <i>Mid-Trimester Test September 8, 2016</i>	Openness in goods and financial markets	18.1, 18.2
14		Goods market in an open economy	19.1, 19.2, 19.3
15	8	Equilibrium in the goods and financial markets	20.1, 20.2
16		Goods and financial markets in an open economy	20.3, 20.4
17	9	Fixed exchange rate regime	20.5, 21.1, 21.2
18		Flexible exchange rate regime	21.3, 21.4
19	10	Policy uncertainty and credibility	22.1, 22.2
20		Politics and macroeconomic policy	22.2, 22.3
21	11	Government budget constraint	23.1, 23.2
22		Fiscal cycles	23.3, 23.4
23	12***	Inflation costs/benefits and monetary policy	24.1, 24.2
24		Monetary policy frameworks	24.3, 24.4
