

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business
School of Economics

ECON2102
Macroeconomics 2

Course Outline
Semester 1, 2010

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1 STAFF CONTACT DETAILS

Lecturer-in-charge: Dr Alexandre Dmitriev

Office: Quad 3117

Phone No: 9385 3351

Email: a.dmitriev@unsw.edu.au

Consultation Times – Thursdays 2-5pm (or by appointment)

Tutors: Catherine Brogan (email: broges27@hotmail.com)
Andrew Flint (email: andrewflint@zenbe.com)
Matthew Tsikrikas (email: unswecostud@hotmail.com)

1.1 Communications with staff

You should feel free to contact your lecturer about any academic matter. However, I strongly encourage, for efficiency, all enquiries about the subject material be made at lectures or tutorials or during consultation time. The lecturers will hold regular office hours on Thursdays 2-5pm starting Week 2.

Email is the recommended means of initial communication with the teaching staff for this course. Discussion of course subject material will not be entered into via lengthy emails. The information concerning administrative matters may also be obtained from the School of Economics Office, level 4, ASB building. Please note that the lecturer has no advance notice of the date and time of the exam.

1.2 Pitstop

Pitstop provides an opportunity for consultation with tutors. It will start in Week 3 and continue till Week 15; that is it continues into the exam study period. The schedule of Pitstop times for this course will be announced on the Course Website.

2 COURSE DETAILS

2.1 Teaching Times and Locations

Lectures start in Week 1(to Week 12): The Time and Location are:

Tuesday: 16:00-18:00, Webster Theatre B

Tutorials start in Week 2 (to Week 13). The Groups and Times are:

Tuesday	12:00-13:00,	Mat 312
	13:00-14:00,	Webster 138
	18:00-19:00,	Law 388,
	19:00-20:00,	Law 388
Wednesday	17:00-18:00,	OMB 144
	18:00-19:00,	OMB 144
Friday	14:00-15:00,	Quad 1046,
	15:00-16:00,	Quad 1046.

2.2 Units of Credit

The course is worth 6 units of credit.

There is no parallel teaching in this course.

2.3 Summary of Course

The first objective of this course is to demonstrate the importance of economic growth for raising living standards over time and provide a basic framework for understanding the sources of economic growth. The neoclassical theory of growth will be described using the Solow model. It will be brought to the data and used to analyse the observed growth patterns across the world.

The second objective is to introduce the set of modelling tools necessary to understand aggregate economic fluctuation. We will start with an analysis how households choose consumption and saving in a simple two period model. We will extend this analysis to an economy wide setting and form the basis for a general equilibrium business cycle model. The underlying philosophy is that a complete microeconomic framework is essential for a satisfactory analysis of aggregate fluctuations.

The third objective is to establish a framework for analysing government policy. Finally, we intend to show how to set up an equilibrium model for an open economy.

2.4 Aims and Relationship to Other Courses

The course aims to provide benefits to students in terms of:

- The ability to use economic tools in addressing economic policy questions;
- An understanding of the different ways in which economic policy issues can be tackled and the way in which economic policies affect economic performance;
- An understanding of issues such as the causes of world poverty, effects of economic growth on inequality, the role of government in the economy.

This course is offered as part of the economics stream in the B.Com and B.Econ degrees. Because ECON1102 and ECON1102 (Microeconomics I and Macroeconomics I, respectively) provide a broad introduction to economic analysis, they are the natural prerequisites for ECON2102.

ECON2102 is a prerequisite for more advanced macroeconomics courses such as ECON 3104 International Macroeconomics.

2.5 Student Learning Outcomes

On completion of the course, students should be able to:

1. Describe and interpret the principles underlying the neoclassical growth model as well as an equilibrium business cycle models.
2. Understand more generally the relationship between decision of individual firms and households and behavior of macroeconomic aggregates.
3. Understand and explain the assumptions and structure of general equilibrium models in macroeconomics.
4. Apply some of the basic economic models as a measurement device.

Graduate Attributes

Learning Outcomes	ASB Graduate Attributes	Attribute No.
1,2,3,4	Critical thinking and problem solving	1
1,2,3,4	Communication	2
N/A	Teamwork and leadership	3
1,2,3,4	Social, ethical and global perspectives	4
1,2,3,4	In-depth engagement with relevant disciplinary knowledge	5
1,2,3,4	Professional skills	6

3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au. Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturers and tutors aim to provide meaningful and timely feedback to students to improve learning outcome.

3.2 Learning Activities and Teaching Strategies

The examinable content of the course is defined by the references given in the Lecture Schedule, the content of Lectures, and the content of the Tutorial Program.

Lectures

The purpose of lectures is to provide a logical structure for the topics that make up the course, to emphasise the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied. As not

all topics will be presented extensively, students should refer to the textbook for further details and be sure to attempt the tutorial exercises.

Tutorials

The object of the tutorials is to discuss various approaches to, and issues associated with the assigned exercises and topics covered in the course. Tutorial will also be used to administer short tests throughout the session. These tests will contribute to monitoring student progress as well as provide students with feedback on their learning.

Out-of-Class Study

While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An “ideal” strategy (on which the provision of the course materials is based) might include:

- Reading of the relevant chapter(s) of the text and any readings **before the lecture**. This will give you a general idea of the topic area.
- Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic should be explained.
- Attending tutorials and attempting the tutorial questions.

4 ASSESSMENT

4.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50 out of 100;

4.2 Assessment Details

Assessment will consist of:

Five Tutorial Assessments/Tests	25%
Mid-Session Test (During Week 8 Tutorial)	15%
Final Examination	60%

TOTAL 100%

Assessment Task	Weighting	Learning Outcomes assessed	ASB Graduate Attributes assessed	Length	Due Date
Tutorial Assessments	25%	1,2,3,4	1,2,5,6	20 minutes	See Below
Mid-Session Exam	15%	1,2,3,4	1,2,5,6	50 minutes	Week 8
Final Exam	60%	1,2,3,4	1,2,4,5,6	2 hours	University Exam Period

4.3 Midsession Exam

A mid-session test will be held during **the tutorial of the WEEK 8**. It will be of 50 minutes in duration and will relate to the topics covered during the first six weeks of lectures. The purpose of the assessment is to test knowledge of the concepts introduced up to this point.

There will be **NO supplementary tests** offered for the mid-session exam. You should make every effort to take the mid-session exam. Students who fail to attend the examination will need to apply for Special Consideration.

In cases of serious illness, students will need full and convincing documentation of that illness. Students who are found to be genuinely too ill to have attended the exam will have their mark in the remaining assessment tasks re-weighted to include the mark reserved for the missed test. In all other cases of non-attendance students will receive a grade of zero.

Special Consideration applications must be made within 3 days of the mid-session exam through Student Central (NewsouthQ) and NOT through the lecturer-in-charge (you should advise the lecturer-in-charge that you have made an application). You will need to provide full documentation of the reason for the absence (i.e., valid medical certificate).

Employment obligations or holiday plans of any kind are not acceptable reasons for absence from any test/examination.

4.4 In-tutorial Tests

Five times during the session, your progress will be assessed during your tutorial classes. The assessment will take a form of a 20 minutes long test. The test will comprise of different types of questions: true/false, multiple choice, fill-in-the-blank or numeric responses. **The tests will be administered during weeks 3, 5, 7, 10, and 12.** Students must sit the tutorial tests in the tutorial group to which they have been allocated.

There will be **NO supplementary tests** offered for the in-tutorial tests. You should make every effort to take the in-tutorial test(s). Students who fail to attend the tests will need to apply for Special Consideration.

In cases of serious illness, students will need full and convincing documentation of that illness. Students who are found to be genuinely too ill to have attended an in-tutorial test will have their mark in the remaining assessment tasks re-weighted to include the mark reserved for the missed test. In all other cases of non-attendance students will receive a grade of zero. Regardless, an absence will only be approved for one of the in-tutorial tests.

Special Consideration applications must be made within 3 days of the test through Student Central (NewsouthQ) and NOT through the lecturer-in-charge (you should advise the lecturer-in-charge that you have made an application). You will need to

provide full documentation of the reason for the absence (i.e., valid medical certificate).

Employment obligations or holiday plans of any kind are not acceptable reasons for absence from any test/examination

4.5 Final Exam Format

During the final examination about 33% of questions will test material covered in Weeks 1 to 6 while the remaining 67% of questions will test material covered in Weeks 7 to 12. The duration of the final exam will be two hours. Be aware that your final examination may fall at any time during the semester's examination period. The scheduling of examinations is controlled by the University administration. No early examinations are possible. The examination period for Semester 1, 2010, falls between **11 June and 28 June**.

Further information on the content of the Final Exam will be provided towards the end of session. The purpose of the final examination is to assess knowledge of basic macroeconomic concepts and theory.

5 ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For UNSW's policies, penalties, and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html> as well as the guidelines in the online ELISE tutorial for all new UNSW students: <http://info.library.unsw.edu.au/skills/tutorials/InfoSkills/index.htm>.

To see if you understand plagiarism, do this short quiz:

<http://www.lc.unsw.edu.au/plagiarism/plagquiz.html>

For information on how to acknowledge your sources and reference correctly, see:

<http://www.lc.unsw.edu.au/onlib/ref.html>

For the ASB Harvard Referencing Guide, see:

http://www.docs.fce.unsw.edu.au/fce/EDU/harvard_ref_guide.pdf

In the School of Economics all cases of substantial plagiarism are reported to the Associate Head of School. The following penalties will apply:

- Reduction in marks for the assessment item, including zero;
- Failure in the course [00FL] in extreme cases;
- Other additional penalties in accordance with the UNSW Procedures for Dealing with Student Plagiarism, may be considered in extreme cases;
- All cases will be recorded on the UNSW Plagiarism Central Register

6 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATED)

Process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

7 STUDENT RESPONSIBILITIES AND CONDUCT

Students are expected to be familiar with and adhere to university policies in relation to class attendance and general conduct and behaviour, including maintaining a safe, respectful environment; and to understand their obligations in relation to workload, assessment and keeping informed.

Information and policies on these topics can be found in the 'A-Z Student Guide': <https://my.unsw.edu.au/student/atoz/ABC.html>. See, especially, information on 'Attendance and Absence', 'Academic Misconduct', 'Assessment Information', 'Examinations', 'Special Consideration', 'Student Responsibilities', 'Workload' and policies such as 'Occupational Health and Safety'.

7.1 Workload

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

7.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than 80% of scheduled classes they may be refused final assessment.

7.3 Keeping Informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. It is also your responsibility to keep the University informed of all changes to your contact details.

7.4 SPECIAL CONSIDERATION AND SUPPLEMENTARY EXAMINATIONS

You must submit all assignments and attend all examinations scheduled for your course. You should seek assistance early if you suffer illness or misadventure which affects your course progress. For advice on UNSW policies and procedures for granting special consideration and supplementary exams, see:

‘UNSW Policy and Process for Special Consideration’:
<https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>

Policy and Process for Special Consideration

1. Applications for special consideration (including supplementary examinations) must go through UNSW Central administration within 3 working days of the assessment to which it refers – applications will **not** be accepted by teaching staff;
2. Applying for special consideration **does not** automatically mean that you will be granted a supplementary exam.
3. Special consideration requests **do not allow** lecturers-in charge to award students additional marks;
4. If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge

Policy re requests for Special Consideration

The policy of the School of Economics is that the Lecturer-in-charge will need to be satisfied on each of the following before agreeing to or supporting a request for special consideration:

1. For a medical certificate to be accepted, the degree of illness must be stated by the medical practitioner (severe, moderate, mild). A certificate without this will not be valid;
2. Has the student performed satisfactorily in the other assessment items? Satisfactory performance would require at least 40% in each assessment item specified in the Course Outline and meeting the obligation to have attended 80% of tutorials;
3. History of previous applications for special consideration. Previous applications may preclude a student from being granted special consideration;

Special Consideration and Assessments other the Final Exam

For the application of special consideration to assessment items other than the final exam, refer to the specific policies outlined. The School of Economics does not provide supplementary assessment items other than for the final exam.

Special Consideration and the Final Exam

Lecturer’s note: If you are too ill to perform reasonably on the final exam, do not attend the final and apply for a supplementary instead. If a student attends the regular final, s/he is unlikely to be granted a supplementary exam.

Requests for special consideration in relation to the final exam are determined by an ASB Faculty panel to which Lecturers-in-charge provide their recommendations for each request. If the Faculty panel grants a special consideration request, this

may entitle the student to sit a supplementary examination. In such cases the following procedures will apply:

1. Supplementary exams will be scheduled centrally and will be held approximately two weeks after the formal examination period. Actual date will be advised by mid-semester;
2. Where a student is granted a supplementary examination as a result of a request for special consideration, the student's original exam (if completed) will not be marked and only the mark achieved in the supplementary examination will count towards the final grade. To be clear, failure to attend the supplementary exam will not entitle the student to have the original exam paper marked and will result in a zero mark for the final exam.

The 'ASB Policy and Process for Special Consideration and Supplementary Exams in Undergraduate Courses' is available at:

<http://www.docs.fce.unsw.edu.au/fce/current/StudentSuppExamProcedure.pdf> .

8 STUDENT RESOURCES AND SUPPORT

The University and the ASB provide a wide range of support services for students, including:

ASB Education Development Unit (EDU) (www.business.unsw.edu.au/edu)

Academic writing, study skills and maths support specifically for ASB students. Services include workshops, online and printed resources, and individual consultations. EDU Office: Room GO7, Ground Floor, ASB Building (opposite Student Centre); Ph: 9385 5584; Email: edu@unsw.edu.au

UNSW Learning Centre (www.lc.unsw.edu.au)

Academic skills support services, including workshops and resources, for all UNSW students. See website for details.

Library training and search support services: <http://info.library.unsw.edu.au>

UNSW IT Service Desk: Technical support for problems logging in to websites, downloading documents etc. Library, Level 2; Ph: 9385 1333.

Website: www.its.unsw.edu.au/support/support_home.html

UNSW Counselling Service (<http://www.counselling.unsw.edu.au>)

Free, confidential service for problems of a personal or academic nature; and workshops on study issues such as 'Coping with Stress' and 'Procrastination'.

Office: Level 2, Quadrangle East Wing; Ph: 9385 5418

Student Equity & Disabilities Unit <http://www.studentequity.unsw.edu.au>)

Advice regarding equity and diversity issues, and support for students who have a disability or disadvantage that interferes with their learning. Office: Ground Floor, John Goodsell Building; Ph: 9385 4734

9 COURSE RESOURCES

The prescribed text for the course is:

- Barro, Robert J. (2008), “*Macroeconomics: A Modern Approach*”, First Edition, Cengage/Thomson Learning.
(ISBN-13: 9780324178104 ISBN-10: 0324178107)
This text is available at UNSW bookshop

Suggested additional readings include:

- Jones, Charles I. (2001) “Introduction to Economic Growth”, Second Edition University of California, Berkeley (ISBN-10 0-393-97745-5)
- Blanchard, O & J. Sheen (2007), “*Macroeconomics*”, Second Edition, Pearson Education Australia, Frenchs Forest, New South Wales. (Australasian edition)

Additional materials such as solutions to the tutorial exercises, lecture notes, sample tests, etc. will be provided through the course website on UNSW Blackboard at:

<http://lms-blackboard.telt.unsw.edu.au/webapps/portal/frameset.jsp>

10 COURSE SCHEDULE

10.1 Lecture Schedule

Lectures start in Week 1 and finish in Week 12.

Week 1 - (Tuesday 2 March 2010) – Economic Growth

Topics: World Poverty and Income Inequality; Patterns of World Economic Growth; The Production Function; Growth Accounting; The Solow Growth Model.
References: Barro (2008), Chapter 3.

Week 2 - (Tuesday 9 March 2010) – Solow Growth Model

Topics: The mechanics of the Solow model, Savings and Growth, Technological progress and Growth, Convergence
References: Barro (2008), Chapter 4.

Week 3 - (Tuesday 16 March 2010) – Conditional Convergence and Long-Run Economic Growth

Topics: determinants of economic growth, exogenous technological process, endogenous growth theory, diffusion of technology
References: Barro (2008), Chapter 5.

Week 4 - (Tuesday 23 March 2010) – Markets, Prices, Supply & Demand

Topics: labor, goods, rental and bond markets, Household budget constraint, market clearing in labor and capital markets.
References: Barro (2008), Chapter 6.

Week 5 - (Tuesday 30 March 2010) – Consumption, Saving & Investment

Topics: consumption choice in a two period model, intertemporal substitution in macroeconomics, consumption, saving and investment in equilibrium.

References: Barro (2008), Chapter 7.

Week 6 - (Tuesday 13 April 2010) – An Equilibrium Business-Cycle Model

Topics: cyclical behaviour of real GDP, an equilibrium business cycle model, business cycle facts, changes in the technology level, labor supply.

References: Barro (2008), Chapter 8.

Week 7 - (Tuesday 20 April 2010) – Capital Utilization and Unemployment

Topics: Two extensions of the equilibrium business cycle model: variable capital utilization & job search.

References: Barro (2008), Chapter 9.

Week 8 - (Tuesday 27 April 2010) – Capital Utilization and Unemployment

Topics: Two extensions of the equilibrium business cycle model: variable capital utilization & job search.

References: Barro (2008), Chapter 9.

Week 9 - (Tuesday 4 May 2010) – The Demand for Money

Topics: concepts of money, demand for money, determination of the price level.

References: Barro (2008), Chapter 10.

Week 10 - (Tuesday 11 May 2010) – Inflation, Money Growth, and Interest Rates

Topics: inflation and interest rates, inflation in the equilibrium business-cycle model.

References: Barro (2008), Chapter 11.

Week 11 - (Tuesday 18 May 2010) – Government Expenditure

Topics: the government's budget constraint, the consequences of permanent and transitory changes of government purchases financed by lump sum taxes

References: Barro (2008), Chapter 12.

Week 12 - (Tuesday 26 May 2010) – Taxes

Topics: labor, capital and consumption taxes, labor-income tax and the labor market, marginal and average taxes, the Laffer curve

References: Barro (2008), Chapter 13.

11 KEY DATES AND STUDENT RESPONSIBILITIES

It is your responsibility to ensure that:

1. You are recorded by the University as being correctly enrolled in all your courses.

2. You have successfully completed all prerequisite courses. Any work done in courses for which prerequisites have not been fulfilled will be disregarded (unless an exemption has been granted), and no credit given or grade awarded.
3. You abide by key dates:
Monday 1 March is the first day of Semester 1 lectures. **Sunday 7 March** is the last day you can enrol in Semester 1 courses.
Sunday 7 March is the due date for Semester 1 fees.
Wednesday 31 March (Week 5) is the last day for students to discontinue without financial penalty (and the last date to finalise arrangements for HECS-HELP and FEE-HELP).
Sunday 25 April (end Week 7) is the last day to discontinue without academic penalty.
4. You organise your affairs to take account of examination and other assessment dates where these are known. Be aware that your final examination may fall at any time during the semester's examination period. The scheduling of examinations is controlled by the University administration. No early examinations are possible. The examination period for Semester 1, 2010, falls between **Friday 11 June** and **Monday 28 June (provisional dates subject to change)**.
5. When the provisional examination timetable is released, ensure that you have no clashes or unreasonable difficulty in attending the scheduled examinations. The final examination timetable for Semester 1 is released in May (date TBA).
6. Note that some Schools schedule a common date for any **supplementary exams** that may be required – it is your responsibility to check the School websites and ensure that you are available to take the exam on the scheduled date.

A full list of UNSW Key Dates is located at:

<https://my.unsw.edu.au/student/resources/KeyDates2.html>