

THE UNIVERSITY OF
NEW SOUTH WALES



School of Economics

Econ2102
MACROECONOMICS II

Course Outline
Session 2, 2009

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1. STAFF CONTACT DETAILS

The Lecturers for this course are:

Weeks 1-6: Dr Sang-Wook (Stanley) Cho
ASB 439, Ph. (02) 9385 3287, email: s.cho@unsw.edu.au
Office hours: Mondays 1-4

Weeks 7-12: Dr Alexandre Dmitriev (Lecturer in Charge)
Quad 3117, Ph. (02) 9385 3351, email: a.dmitriev@unsw.edu.au
Office hours: TBA

Tutors for this course are:

Dr. Chung Tran, email: chung.tran@unsw.edu.au (Tutor-in-charge)
Mr. Kang Hyun (Gordon) Yoon, email: k.yoon@student.unsw.edu.au
Mr. Mahmoud Abdellatif, email: mahmoud@unsw.edu.au

1.1 Communication with Staff

Email is the recommended means of initial communication with the teaching staff for this course.

The lecturers will hold regular office hours starting Week 2. The tutors will hold consultation hours at Pit Stop (Quad 3113) starting Week 3. The Pit Stop schedule, list of tutors and their consultation time will be announced through WebCT during Week 2.

You should feel free to approach your lecturer about any academic matter. The information concerning administrative matters may also be obtained from the School of Economics Office, level 4, ASB building.

2. COURSE DETAILS

2.1 Teaching Times and Locations

Lectures: Tuesday 16:00-18:00 Keith Burrows Theatre

Tutorials will start in **week 2 until week 13**. The tutor will use the tutorials to go through the tutorial exercises. For tutorials held on Mondays, 5th October (Monday) is a public holiday, and students are asked to attend other tutorials held during that week (Week 11). A final list of tutorial allocations with corresponding teaching times and locations will be displayed on the Macroeconomics 2 WebCT site.

2.2 Units of Credit

Units of Credit: 6

Contact Hours per Week: 3

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.

2.4 Course 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.

No parallel teaching (UG/PG students together) is involved in this course.

This course is offered as part of the economics stream in the B.Com and B.Econ degrees. Because ECON1101 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. Identify, explain and evaluate the principles underlying the neoclassical growth model as well as an equilibrium business cycle model.
2. Describe and critically evaluate the relationship between decision of individual firms and households and behavior of macroeconomic aggregates.
3. Identify, explain and evaluate the assumptions and structure of general equilibrium models in macroeconomics.
4. Recognise and assess how to use economic models as a measurement device.

Graduate Attributes

This course contributes to your development of the following Australian School of Business Graduate Attributes, which are the qualities, skills and understandings we want you to have by the completion of your degree.

Course Learning Outcomes	ASB Graduate Attributes
1,2,3,4	1. Critical thinking and problem solving
1,2,3,4	2. Communication
NA	3. Teamwork and leadership
1,2,3,4	4. Social, ethical and global perspectives
1,2,3,4	5. In-depth engagement with relevant disciplinary knowledge
1,2,3,4	6. Professional skills

3. LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

The lectures, tutorials and assessment have been designed to challenge students and support the achievement of the desired learning outcomes. The course is designed to encourage a climate of inquiry and dialogue 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 outcomes. More broadly, the philosophy underpinning this course and its Teaching and Learning Strategies (see 3.3 below) are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au.

An effective learning strategy (on which the course materials are based) is the following:

1. Prior to attending a lecture, download the lecture notes, read them and the relevant material from the textbook, bring the notes with you to the lecture.
2. Attend the lecture. The relevant material from the textbook forms the basis for the lecture. Key concepts will be emphasised and demonstrated through worked examples.
3. Prior to attending tutorials, attempt the assigned questions for that week. Do not be discouraged if you cannot answer all of the questions as some questions are more difficult than others. Attempting the assigned tutorial questions will provide a self-test of your understanding of particular topics and identify those topics which may require further attention. Tutors will work through the assigned tutorial questions each week.

3.2 Learning Activities and Teaching Strategies

The examinable content of the course is defined by the material covered in lectures, tutorials and problem sets.

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.

4. ASSESSMENT

4.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50 out of a maximum of 100.

4.2 Assessment Details

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

Tutorial Assessments/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. *You must take the test during the tutorials to which you are enrolled in*, unless you have an explicit permission from the Tutor in Charge.

Note: There is no provision for supplementary in-tutorial tests. Students who do not complete a test will receive zero for that test.

Mid-Session Examination

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.

Note: There is no provision for a supplementary examination for students who are unable to attend the mid-session examination. If you do not attend the exam and do not have an adequate reason you will be awarded a mark of zero. Documentary evidence for an absence (e.g. medical certificate) must be provided to the Lecturer-in-charge. **If approved**, you will have your final mark re-weighted according to the weight of the missed piece of assessment.

The final examination

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 2, 2009, falls between **30 October and 17 November**.

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>.

6. 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 WebCT. The course website can be accessed at the following address: <http://vista.elearning.unsw.edu.au>

7. 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 (CATEI) Process is one of the ways in which student evaluative feedback is gathered. Based on previous comments by students we are providing students with more opportunities to practice their problem solving skills.

8. 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’.

8.1 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.

8.2 Attendance

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

8.3 Special Consideration and Supplementary Examinations

UNSW Policy and Process for Special Consideration

(see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>)

- 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;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note that a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

8.4 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

8.5 Occupational Health and Safety

UNSW Policy requires each person to work safely and responsibly, in order to avoid personal injury and to protect the safety of others. For more information, see <https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>.

8.6 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.

9. ADDITIONAL STUDENT RESOURCES AND SUPPORT

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

- **Economics Pit Stop**

The Economics Pit Stop is designed to provide convenient tutor assistance for students in the large Economics courses such as ECON 2102. This means that instead of having to wait until your lecturer's consultation time, you will be able to get help as soon as you run into a problem in your study.

The Pit Stop contact details are:

Location: Quadrangle Building Room 3113

Times: Tuesday-Thursday (10am-6pm) from week 3

Phone: (02) 9385 1346

Email: tutcentre@unsw.edu.au

Pit Stop tutors will give help over the phone or through email when they can, but will give priority to students who attend in person. A Pit Stop timetable will be posted on the Economics website before the start of week 2.

- **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

10. COURSE SCHEDULE

Week 1 - (Tuesday 21 July 2009) – 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 28 July 2009) – 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 4 August 2009) – 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 11 August 2009) – 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 18 August 2009) – 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 25 August 2009) – 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 1 September 2009) – 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 15 September 2009) – 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 22 September 2009) – The Demand for Money

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

References: Barro (2008), Chapter 10.

Week 10 - (Tuesday 29 September 2009) – 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 6 October 2009) – 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 13 October 2009) – 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.