ECON30009
Macroeconomics

SUBJECT GUIDE

Semester 2, 2013

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Subject Outline

Introduction

Welcome to Macroeconomics! This subject is an introduction to advanced study of macroeconomics. We will use an integrated theoretical framework—A simple life-cycle model—to explore the central issues of macroeconomics.

The topics to be covered include: income determination and economic growth, economic fluctuations and business cycle, fiscal and monetary policy, the international economy, and the banking system, financial markets and financial crisis.

Subject Aims

The overall aim of this subject is to provide you with an integrated neoclassical approach to address substantive macroeconomic questions so as to improve your critical thinking and analytical skills and enhance your understanding of aggregate economic behaviour. As a result, you may be better prepared for more advanced studies in economics or a career as professional economists in industry or government agencies.

Prescribed References

The required textbook for this subject is: Macroeconomics: An Integrated Approach, second edition, by Alan J. Auerbach and Laurence J. Kotlikoff, the MIT press. We will refer to this book as AK, after its authors.

The book is available for purchase at the University Bookstore. Copies are also available ON RESERVE at the Giblin Eunson Library.

The problem sets for each chapter are not included in the book, instead they are in a separate Study Guide book. However, you DO NOT need to purchase the Study Guide book, as I will scan the problem sets to create pdf files and post them on LMS.

The AK book is well written and has the right level of difficulty, but it is a bit old and the figures and case studies are less Australia-relevant. What I will do to make up for that is to update figures and other data facts with more recent and Australia-relevant data and provide you supplementary reading materials taken from other references and journal articles. The supplementary reading materials will be made available on LMS at appropriate time.

Learning Outcomes

Subject Objectives

On successful completion of this subject you should be able to:
• gain a general understanding of major theories of macroeconomics: central questions, historical developments, recent literature and directions for future research;
• recognise the complex and dynamic nature of interactions among economic factors and identify major forces at work when conducting a piece of economic analysis;
• work out equations that characterise the equilibrium of the model discussed, and derive testable qualitative implications of the model;
• apply the models to analyse some real economic questions and evaluate the potential of some macroeconomic policies to improve economic welfare;
• identify limitations of the models and propose possible extensions to the models to address further questions.

To view the subject objectives and the generic skills you will develop through successful completion of this subject, please see the University Handbook:


To view the learning goals, generic skills and graduate attributes for your degree, please locate the University Handbook entry for your degree at:

http://handbook.unimelb.edu.au/

**Generic Skills**

In this subject you will have the opportunity to develop important generic skills. These skills are grouped below by level of development.

• High level of development: problem solving; application of theory to practice; interpretation and analysis; critical thinking

• Moderate level of development: oral and written communication; collaborative learning and team work; evaluation and synthesis of data and other information; receptiveness to alternative ideas

• Some level of development: use of computer software; accessing data and other information from a range of resources

**Awareness Issues**

At a broader level, studying this subject will increase your awareness of: the wide range of questions that are investigated within macroeconomics and economics in general; the complexity of interactions among economic factors through decisions of households, firms and government agencies; different schools of macroeconomic thoughts and their evolution as well as recent developments in the literature; more advanced economic courses that you can take to further your understanding of economics.
Prerequisites

ECON20001 Intermediate Macroeconomics and ECON20002 Intermediate Microeconomics.

Academic Staff Contact Details

Lecturer Contact Details

Your coordinator for Macroeconomics is Shuyun May Li.

Email: shuyunl@unimelb.edu.au

Room: FBE building, 326

Phone: 8344 5316

Consultation Hours: Tuesday, 3-4pm, or by appointment

Head Tutor Contact Details

Your head tutor for Macroeconomics is Wasana Karunarathne

Email: lakminik@unimelb.edu.au

Room: FBE building, 335

Phone: 8344 4866

Email Protocol

Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address. Note that you must first activate your University email address before you can send or receive emails at that address. You can activate your email account at this link: http://accounts.unimelb.edu.au/.

While academic staff endeavor to address queries received via email, it is more appropriate to resolve substantive questions during lectures and tutorials and during normal consultation hours. With this in mind, we encourage students to attend all lectures and tutorials and to familiarise themselves with the consultation hours offered by the lecturers and tutors in this subject.
Lectures and Tutorials

Lecture Times

There are two one-hour lectures each week.

Wednesday, 4:15-5:15pm, Copland Theatre, Arts West Building

Friday, 12-1pm, Copland Theatre, Arts West Building

Lecture Participation Requirements

Lecture attendance is compulsory. Students are expected to achieve efficient learning during class time. No private talking is allowed during lectures.

Lecture Schedule

This section provides a preliminary timetable of lectures for the entire semester.

<table>
<thead>
<tr>
<th>Week</th>
<th>Date Commencing</th>
<th>Topic</th>
<th>Required Reading</th>
<th>Further Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29/7/2013</td>
<td>Subject information Introduction to third year Macro.</td>
<td>Lecture slides, Prologue. 1 of AK</td>
<td>Kocherlakota’s speech “Modern macroeconomic models as tools for economic policy”</td>
</tr>
<tr>
<td>2</td>
<td>5/8/2013</td>
<td>The two-period life cycle model--OLG growth model</td>
<td>Lecture slides, Chap. 1 and 2 of AK</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>12/8/2013</td>
<td>The OLG growth model</td>
<td>Lecture slides Chap. 2 and 3 of AK</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>19/8/2013</td>
<td>Development of growth theory, Business cycle</td>
<td>Lecture slides Chap. 4 of AK</td>
<td>Notes on major development of growth theory</td>
</tr>
<tr>
<td>5</td>
<td>26/8/2013</td>
<td>Business cycle</td>
<td>Chap. 4 of AK</td>
<td>Notes on major development of business cycle research</td>
</tr>
<tr>
<td>6</td>
<td>2/9/2013</td>
<td>Review</td>
<td>Lecture slides</td>
<td></td>
</tr>
<tr>
<td>Week</td>
<td>Date</td>
<td>Topic</td>
<td>Lecture Slides</td>
<td></td>
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<td>--------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>9/9/2013</td>
<td>Fiscal and monetary policy</td>
<td>Lecture slides, Chap. 6 of AK</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>16/9/2013</td>
<td>Fiscal and monetary policy</td>
<td>Lecture slides, Chap. 6 and 7 of AK</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>23/9/2013</td>
<td>Fiscal and monetary policy</td>
<td>Lecture slides, Chap. 7 of AK</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>7/10/2013</td>
<td>The international economy</td>
<td>Lecture slides, Chap. 12 of AK</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>14/10/2013</td>
<td>The international economy</td>
<td>Lecture slides, Chap. 13 of AK</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>21/10/2013</td>
<td>Introduction to banking system, financial market and financial crisis</td>
<td>Lecture slides, Chap. 14, 15 and 16 of AK</td>
<td></td>
</tr>
</tbody>
</table>

**Lecture Slides**

Lecture slides, tutorial questions (for coming week), tutorial solutions (for previous week), and other study materials for the whole week will be uploaded on LMS on every **Tuesday, by 3pm**. Students are expected to bring a printed copy of the lecture slides to each lecture. At the end of the slides for each lecture, there will be a list of review questions, which reflects what I expect you to learn from this lecture. Students are encouraged to go through these review questions.

**Tutorial Times**

Tutorials start in the second week and then run every week till the end of the semester. For the dates, times and locations of tutorials as well as tutors’ information, please refer to LMS.

**Tutorial Participation Requirements**

Students are expected to work on the tutorial questions beforehand and actively participate in the tutorials. Tutorial attendance and participation account for **10 percent** of the total assessment of the subject.

Every tutorial problem set consists of two parts: **PART A** - Homework questions to be completed and brought to the tutorial and **PART B** - Questions to be completed during the tutorial.
Students are required to complete PART A questions before the tutorial, and to bring along the answers to show the tutor. Gaining full credit for the tutorial participation requires attending **10 out of 11** tutorials and showing evidence to the tutor that you have completed questions in PART A. Tutors will randomly ask you to turn in your work sheets. Emailed answers to PART A questions are not going to be accepted.

Students are also encouraged to attempt PART B questions beforehand.

If for some legitimate reason, you are not able to attend the allocated tutorial, then you can attend another tutorial in the same week. You need to fill in the “Irregular Tutorial Attendance” form (which can be obtained from your tutor), get it signed by the tutor of the replacement tutorial, and then hand it back to the original tutor in the following week. A student is not permitted to attend more than **TWO** replacement tutorials during the semester.

**Enrolling in Tutorials**

You do this via the Student Portal. After subject registration, students are allocated to available classes. It is a student’s responsibility to ensure their registrations produce a clash-free timetable. Until it closes at the **End of Week 2**, students can make changes to their timetable by following the instructions provided in the Student Portal. Please note you will only be able to change your allocated tutorial time if there is space in alternative tutorials. Tutorial changes and late enrolment into tutorials are handled by the Commerce Student Centre. More information about the new Student Timetable system is available on the Faculty’s website:

http://fbe.unimelb.edu.au/csc/planning/timetables

**Using Lecture Capture (Echo 360)**

Audio recordings of lectures delivered in this subject will be made available for review in the days following each lecture. Audio recordings of lectures allow you to revise lectures during the semester, or to review lectures in preparation for the end of semester exam.

You can access recorded lectures by clicking on the Lecture Recordings (or similar) menu item in the LMS page for this subject.

To listen to lecture recordings, you must install QuickTime 7 (or a later version) on your computer.

Please note that lecture recordings are not a substitute for attendance; rather they’re designed for revision. On rare occasions the lecture capture system can fail to record the lecture due to technical reasons. In such cases, the lecture recording will not be made available.
Assessment

Assessment Overview

The assessment for this subject comprises the following:

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Individual or Group</th>
<th>Due</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation in tutorials</td>
<td>Individual</td>
<td>Weekly from week 2</td>
<td>10%</td>
</tr>
<tr>
<td>Assignment 1</td>
<td>Group</td>
<td>Aug. 29, Thursday, 4pm</td>
<td>10%</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>Group</td>
<td>Oct. 17, Thursday, 4pm</td>
<td>10%</td>
</tr>
<tr>
<td>Mid-semester exam (in class, closed book)</td>
<td>n/a</td>
<td>Sept. 6, Friday class</td>
<td>15%</td>
</tr>
<tr>
<td>End-of-semester exam (2-hour, closed book)</td>
<td>n/a</td>
<td>Assessment period (Nov. 4 – Nov. 22)</td>
<td>55%</td>
</tr>
</tbody>
</table>

Assignments

Assignments are to be submitted through the Assignment Tool (see below for details) and by a group consisting of one to four students. All group members must be enrolled in the same tutorial class. Students should choose and form their own assignment groups. You can get help from your tutor if you have trouble forming a group.

Assignments not submitted by the due date will count as zero for assessment purposes, unless an extension has been granted by the Commerce Student Centre prior to the due date. Please note that neither the lecturer nor tutors have authority to process assignment extensions.


Exam Policy

The Faculty requires that you are available for the entire examination period. Supplementary exams will not be provided in cases of absence during the examination period, unless the absence is due to serious illness or other serious circumstances. See the Special Consideration web site for more information:


The examination period for this semester is November 4 to November 22.
Using the Assignment Tool

The Assignment Tool allows you to submit your assignment to your lecturer online from home or from any of the student labs on campus.

During the course of the semester, you’ll be asked to submit two assignments in electronic format into the Assignment Tool. You can access the Assignment Tool by clicking on Assignment Tool in the navigation menu from the LMS page for this subject.

A student guide has been prepared on the use of the Assignment Tool. The guide provides instructions on how to submit assignments in hardcopy format. The guide can be downloaded here:


Please note that you are required to keep a copy of your assignment after it has been submitted, as you must be able to produce a copy of your assignment at the request of your tutor or lecturer at any time after the submission due date.

Plagiarism and Collusion

Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject.

Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any other source (e.g. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct.


Special Consideration

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration.

The following website contains detailed information relating to who can apply for Special Consideration and the process for making an application:
Referencing

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based, in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others.

You will be required to use the APA system or Harvard System of referencing. The FBE Centre for Excellence in Learning and Teaching (CELT) has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments. The booklets can be found here:
and

It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assignment. Including references that have not been used may also result in your assignment being penalised.

Further Assistance

If you need further assistance during the semester, you have several options:

Tutor Consultations

There are several tutors for this subject. Each tutor will set aside an hour each week (starting from week 3) to meet with students for individual consultations. The times and locations for these consultations will be provided on LMS in week 2. Students should attend the consultation hours of their own tutor, but are also allowed to attend any of the other consultation sessions.

Online Tutor

The Online Tutor allows you to direct questions to a tutor via the LMS. The Online Tutor can be accessed 24 hours a day, 7 days a week. The tutor will attempt to answer your question within 24 hours (weekdays only).

Your questions and the tutor’s answers can be accessed by all students in the subject, allowing everyone to benefit from the questions and answers. Importantly, your identity will
not be revealed to other students. Even if you don’t want to ask a question, you can still view existing questions and answers.

Note that the Online Tutor is not designed to replace attendance at tutorials, but rather to complement the tutorial process. Also, simple questions that can be answered by referring to the prescribed readings will not usually be answered. You can access the Online Tutor via the Online Tutor link, located in the navigation menu of this subject’s LMS page.

**FBE Centre for Excellence in Learning and Teaching**

The FBE Centre for Excellence in Learning and Teaching (CELT) provides services and resources to enhance your learning in Business and Economics.

Maximise your academic success by taking part in CELT services that develop:

- Skills in research, referencing and academic writing
- Mastery of different assignment types
- Effective study techniques
- Abilities to learn effectively with your peers
- Transition to the faculty and understanding of academic expectations

The Centre also provides an extensive range of help sheets that can enhance your academic performance in Business and Economics. These are available online or at the Centre.

Visit the CELT site [www.fbe.unimelb.edu.au/celt](http://www.fbe.unimelb.edu.au/celt) to learn more and get involved.

**Other Information**

**Rules and Expectations**

- Lecture attendance is compulsory and important
- No private talking during lectures
- Achieve effective and efficient learning during class time
- Independent learning and thinking is strongly encouraged
- Work hard, enjoy learning, and be positive at all time
- Support and encourage each other throughout the semester
• Seek help (from family, friends, classmates, lecturers, student counselling service) whenever it is needed

• Feedbacks and suggestions are welcome at all time

• Students' patience, understanding and support are mostly appreciated