Welcome to Intermediate Macroeconomics. This course has two main themes:

1- In the short-run, the macroeconomy experiences *cyclical* ups and downs (booms and recessions). To understand short-run fluctuations, we need to focus on changes in aggregate demand.

2- In the long-run, the underlying or *trend* rate of economic growth dominates. To understand long-run growth, we need to focus on changes in aggregate supply.

We begin with short-run fluctuations and this naturally leads to a discussion of short-run macroeconomic policy (especially monetary and fiscal policy). We then turn to issues of macroeconomic adjustment, as the economy responds to shocks, and to long-run economic growth. We finish up with a brief introduction to open-economy macroeconomics.

**Subject aims**

*From the handbook.* Intermediate macroeconomic analysis develops the tools, skills and knowledge base necessary to operate as a practicing macroeconomist. These may include: models of long run economic growth; an assessment of the evidence on economic growth and its implications; the flexible-price macroeconomic model in which markets continuously clear; an assessment of the evidence regarding whether prices and wages are flexible or sticky; the sticky price macroeconomic model in which markets do not always clear; assessment of the flexible and sticky price models; the analysis of macroeconomic policy making.
Prerequisites

ECON10003 Introductory Macroeconomics
ECON10004 Introductory Microeconomics

Students who do not have these prerequisites will not normally be allowed to enrol in ECON20001. If you do not have these prerequisites, but believe you should be allowed to take the subject, contact me immediately.

Textbooks


Copies of the Blanchard and Sheen text are in the university bookstore and a few copies are in the library. You should also be able to find cheap second-hand copies of older editions.

Alternative Texts. There are many textbooks on intermediate macroeconomics in the library. If you’d like an alternative take on the course material, you might want to consult either:


Assessment

<table>
<thead>
<tr>
<th>Due date</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Multiple choice test</td>
<td>5%</td>
</tr>
<tr>
<td>September 2nd – September 3rd</td>
<td></td>
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<tr>
<td>Assignment #1</td>
<td>12.5%</td>
</tr>
<tr>
<td>2:00pm, Wednesday September 17th</td>
<td></td>
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<tr>
<td>Assignment #2</td>
<td>12.5%</td>
</tr>
<tr>
<td>2:00pm, Monday October 13th</td>
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<tr>
<td>Tutorial participation</td>
<td>10%</td>
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<tr>
<td>weekly</td>
<td></td>
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<tr>
<td>Final exam</td>
<td>60%</td>
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<tr>
<td>examination period</td>
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Tutorial attendance and participation (10 marks). Starts from the second tutorial. Attendance gives you the chance to earn marks: 5 marks for participation, based on preparation, actively participating in tutorial work, relevance in discussion, and listening to others contributions; 5 marks for attendance, with full marks if you miss no more than 2 tutorials and you lose a half mark per extra tutorial missed.

Multiple choice test (5 marks). Takes the form of a feedback exam and will be administered online over Tuesday September 2nd and Wednesday September 3rd. Will cover the first and second topics in the lecture schedule.
Assignments (25 marks). Two assignments, each worth 12.5 marks. The first assignment is due by 2:00pm on Wednesday September 17th and the second by 2:00pm on Monday October 13th. The assignment questions will also be practice exam questions. The assignments can be done in groups subject to the following rules: All members of a group submitting a single assignment must belong to the same tutorial and all members of the group will be given the same mark. No more than three students may make up a group. Students may choose to work and hand in an assignment on their own. No two groups may hand in the same assignment.

Final exam (60 marks). A mix of multiple choice (20 marks) and essay (40 marks) questions. Largely based on tutorial questions (i.e., they will be modifications, extensions and/or combinations of tutorial questions). There will be little covered in tutorials which will not be examined. In short, the tutorial questions will all be practice examination questions.

Submitting assignments. Assignments must be submitted in electronic format to the Commerce Students Centre. You can access the Assignment Submission Tool by clicking on Assignment Tool in the navigation menu from the LMS page for ECON20001. Further instructions can be found at http://fbe.unimelb.edu.au/csc/assessment/submission. You will be required to submit these in electronic form by 2pm on the due date. Moreover:

- You must keep a copy of your assignment.
- Plagiarism or other forms of academic dishonesty will result in discipline proceedings being brought against you.
- 10% of the mark will be deducted for each day delay after the due date.

Lecture timetable

<table>
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<tr>
<th>Days</th>
<th>Time</th>
<th>Location</th>
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<tr>
<td><strong>Tuesdays</strong></td>
<td>L01/1 10:00 – 11:00am</td>
<td>The Spot – Copeland Theatre</td>
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<tr>
<td></td>
<td>L01/2 5:15 – 6:15pm</td>
<td>The Spot – Copeland Theatre</td>
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<tr>
<td><strong>Thursdays</strong></td>
<td>L02/1 10:00 – 11:00am</td>
<td>The Spot – Copeland Theatre</td>
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<tr>
<td></td>
<td>L02/2 3:15 – 4:15pm</td>
<td>The Spot – Copeland Theatre</td>
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Lecture schedule

1. Introduction and course overview
   Reading: Blanchard and Sheen, chapters 1 and 2

   \textit{Topic 1. Short-run macroeconomics}

2. Output, investment and savings
   Reading: Blanchard and Sheen, chapter 3

3. Financial markets, background on the financial crisis
   Readings: Blanchard and Sheen, chapter 4 and chapter 9, pages 203–212

4. IS/LM model, part one
   Reading: Blanchard and Sheen, chapter 5, sections 5.1–5.2

5. IS/LM model, part two
   Reading: Blanchard and Sheen, chapter 5, sections 5.3–5.5

6. IS/LM model, part three: policy effectiveness
   Reading: Blanchard and Sheen, chapter 9, pages 212–221

   \textit{Topic 2. Labor markets and unemployment}

7. Labor markets, part one: tour of the labor market
   Reading: Blanchard and Sheen, chapter 6, sections 6.1–6.2

8. Labor markets, part two: labor market dynamics and the natural rate of unemployment

Reminder: online multiple choice test administered over Tuesday September 2nd and Wednesday September 3rd. The test covers Lectures 1–8.

\textit{Topic 3. Macroeconomic adjustment}

9. Aggregate demand and aggregate supply

10. Inflation, unemployment and the Phillips curve
   Reading: Blanchard and Sheen, chapter 8

11. Dynamic AS/AD model, part one
    Reading: Mankiw, “A dynamic model of aggregate demand and aggregate supply,”
            (available from the LMS), sections 14.1–14.2

12. Dynamic AS/AD model, part two
    Reading: Mankiw, “A dynamic model of aggregate demand and aggregate supply,”
            (available from the LMS), sections 14.3–14.4
13. Dynamic AS/AD model, part three: macroeconomic policy applications

14. Rules vs. discretion in macroeconomic policy making
   Reading: Blanchard and Sheen, chapter 22, section 22.1

Reminder: assignment #1 due by Wednesday September 17th.

Topic 4. Long-run macroeconomics

15. Economic growth facts
   Reading: Blanchard and Sheen, chapter 10

16. Growth theory, part one: Solow model
   Readings: Blanchard and Sheen, chapter 11, section 11.1–11.3 and chapter 12, section 12.1

17. Growth theory, part two: convergence and conditional convergence
   Readings: Blanchard and Sheen, chapter 12, section 12.1

18. Growth theory, part three: endogenous growth
   Reading: Blanchard and Sheen, chapter 11, section 11.4 and chapter 12, section 12.2–12.3

19. Productivity and institutions
   Reading: Blanchard and Sheen, chapter 13, section 13.4

20. Productivity, wages and inequality
   Reading: Blanchard and Sheen, chapter 13, section 13.3

Reminder: assignment #2 due by Monday October 13th.

Topic 5. Open-economy macroeconomics

21. Openness in goods and financial markets
   Readings: Blanchard and Sheen, chapters 18–19, sections 18.1–18.3, 19.1–19.4, 19.6

22. Interest rates, exchange rates and output
   Readings: Blanchard and Sheen, chapter 20

23. Exchange rate regimes
   Readings: Blanchard and Sheen, chapter 21

24. Course review and wrapping-up.

Reminder: the final exam is cumulative. The final exam covers Lectures 1–24.
Enrolling in tutorials using ISIS

You must enrol in a tutorial using the ISIS Student Timetable by 3:30pm Friday August 1st. Late enrolment in tutorials is handled by the Commerce Student Centre:

http://www.csc.unimelb.edu.au/

Any difficulties with respect to the tutorial you have been allocated should be discussed with Ms Nahid Khan, the tutorial coordinator (room 336, phone 8344-3621, email n.khan@unimelb.edu.au) and not with your tutor. Once you have been allocated to a specific tutorial, that is the only tutorial you should attend. ‘Shopping around’ is not allowed because of the constraints on numbers of tutorials and numbers of students allowed per tutorial. Marks allocated to you for tutorial participation will be for the tutorial as recorded in the ISIS system – if you are not in the correct tutorial then you cannot receive any marks.

Tutorials are an integral and important part of the subject. They will be used to complement and supplement the lectures and other reading material. The tutorials will follow closely the system you are familiar with from other subjects, with blue sheets (containing a reading guide, a set of key concepts to be understood and work to be done before the tutorial) distributed at the preceding tutorial and pink sheets (containing tasks to be done in the tutorial) distributed each week in the tutorial. I would urge you to do the tutorial preparation in your tutorial groups. But, whether you do or not, we will work with the rule that if you do not prepare for the tutorial then you don’t go to the tutorial.

Exam questions will largely be based on the questions on the blue and pink sheets.

Lecture recordings

Audio recordings of lectures will be made available in the days following each lecture. The files can be downloaded from the lecture audio page in the LMS for ECON20001. Please note that the recordings are not a substitute for attendance, they’re designed for revision. It is my view that students should attend lectures. On occasion technical mishaps can cause a faulty recording. In such cases, the recording will not be available.

Further assistance

If you need assistance during the semester, you have several options.

My office hours. Thursdays 11:00–12:00pm and 2:15–3:15pm, Room 423 Business & Economics building. Or email me to make an appointment outside these times.

Tutor office hours. Your tutor will provide you with details of his/her office hours.
On-line tutor. Allows you to direct questions to your tutor/lecturer via the LMS. The online tutor can be accessed 24 hours a day, 7 days a week. Tutors will attempt to answer your question within 24 hours (weekdays only). Your questions and the tutors answers can be accessed by all students in the subject, allowing everyone to benefit from the question and answer. 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. Please note that the online tutor is to provide support to students who have tried their best to understand a point in the lectures or the textbook but who are still not satisfied with their own level of understanding. Detailed answers will not be provided about questions contained in upcoming tutorials.

The online tutor is not designed to replace attendance at tutorials, but rather to complement the tutorial process. Simple questions that can be answered by referring to the prescribed readings will not be answered.

Centre for Excellence in Learning and Teaching. More generally, if you are having any difficulty studying for this subject, you could arrange a consultation with learning skills specialist at the Centre for Excellence in Learning and Teaching. They can review your current approaches to study and offer advice on how to adjust to the demands of tertiary study. If you are a student from a non-English speaking background there is an English as a Second Language specialist who is available to help with your written work. Both of these specialists are available for face-to-face consultations or through email. Go to the Faculty office to arrange for consultations or contact the specialists electronically through the website:

http://www.thu.fbe.unimelb.edu.au/

Their website also contains a wide variety of study skills topics and information sheets for students, and a timetable of up-coming events, including focussed workshops, designed to support Business & Economics students in their study. The Centre is located on the 5th floor of the Spot.

More fine print

Learning outcomes

Subject objectives. The principal objective of Intermediate Macroeconomics is for students to become well-versed in understanding, conceptually, how to distinguish between short-run demand-side macroeconomic fluctuations on the one hand and long-run supply-side economic growth on the other. Students should be able to fluently discuss how changes in aggregate output and interest rates are determined in the short run for a given level of inflation, and how output, interest rates, and inflation (and other key macro variables) are determined in the medium-long run. Moreover, students should be able to discuss under what circumstances monetary and fiscal policy can affect macro outcomes in the short- and long-run.
Generic skills. In this subject you will have the opportunity to develop important generic skills. These include:

- High level of development: written communication; collaborative learning; problem solving; teamwork; application of theory to practice; critical thinking; synthesis of data and other information; evaluation of data and other information.
- Moderate level of development: oral communication; interpretation and analysis; accessing data and other information from a range of sources; receptiveness to alternative ideas.
- Some level of development: statistical reasoning; use of computer software.

Awareness issues. This subject will increase your awareness the sources and consequences of macroeconomic fluctuations, the foundations of economic growth, the role of expectations in macroeconomics, and international linkages between economies, amongst other issues.

Email protocol

While the staff teaching this subject endeavour to address questions by email, it is usually more appropriate to resolve substantive questions face-to-face during normal office hours (as listed above).

We are only able to respond to student emails coming from a University of Melbourne email address. Please do not use personal email addresses or business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter. All correspondence relating to this subject will only be sent to your University of Melbourne email address.

Plagiarism and collusion

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. Plagiarism is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a failing grade for the subject.

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.

The Centre for Excellence in Learning and Teaching has developed a web-based ‘Academic Honesty Module’ that allows you to learn more about and test your knowledge of plagiarism and collusion. I strongly encourage you to complete this module.
Late submission

Late submissions must be accompanied by a completed Request for Special Consideration form. The form must be handed to the Commerce Student Centre.

Late assignments, where approval for late submission has not been given, will be penalised at the rate of 10% of the total mark per day, or part thereof, for up to 10 days, at which time a mark of zero will be given.

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:

http://fbe.unimelb.edu.au/csc/assistance/special_consideration

You should not approach me or the tutors about special consideration.

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.

You will be required to use the American Psychological Association (APA) system or the ‘Harvard’ system of referencing. The 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.

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 (as discussed above). 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.

Chris Edmond