

## ECON2102 Macroeconomics 2

### Course Outline Semester 1, 2017

#### Part A: Course-Specific Information

Students are also expected to have read and be familiar with **Part B Supplement to All Course Outlines**. This contains Policies on Student Responsibilities and Support, Including Special Consideration, Plagiarism and Key Dates. It also contains the Business School PROGRAM LEARNING GOALS.

# Table of Contents

<u>1</u>	<u>STAFF CONTACT DETAILS</u>	<u>3</u>
<u>2</u>	<u>COURSE DETAILS</u>	<u>3</u>
2.1	Teaching Times and Locations	3
2.2	Units of Credit	3
2.3	Summary of Course	3
2.4	Aims and Relationship to Other Courses	4
2.5	Student Learning Outcomes	5
<u>3</u>	<u>LEARNING AND TEACHING ACTIVITIES</u>	<u>6</u>
3.1	Approach to Learning and Teaching in the Course	6
3.2	Learning Activities and Teaching Strategies	6
<u>4</u>	<u>ASSESSMENT</u>	<u>7</u>
4.1	Formal Requirements	7
4.2	Assessment Details	7
4.3	Tutorial Problems, Journal, and Discussion	7
4.3.1	Practice Problem Sets	8
4.4	Mid Semester Exam	8
4.5	Final Exam	8
4.6	Quality Assurance	8
<u>5</u>	<u>COURSE EVALUATION AND DEVELOPMENT</u>	<u>8</u>
<u>6</u>	<u>COURSE RESOURCES</u>	<u>9</u>
<u>7</u>	<u>COURSE SCHEDULE</u>	<u>10</u>
7.1	Lecture Schedule	10
7.2	Tutorial Schedule	11

# 1 STAFF CONTACT DETAILS

Lecturer-in-Charge: Dr Christopher Gibbs  
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I am happy to be contacted by email with course-specific inquiries. Alternatively you can talk to me after the lecture or during my consultation times.

A full list of tutors and their contact details will be posted on the Course Website (Moodle).

## 2 COURSE DETAILS

### 2.1 Teaching Times and Locations

Lectures start in Week 1 (to Week 12). The Time and Location are: Wednesday, 9:00am – 11:00am, Ritchie Theatre .

Tutorials start in Week 2 (to Week 13). Tutorial times and locations are available from <http://timetable.unsw.edu.au/2017/ECON2102.html>.

There are no tutorials held in week 8 due to Anzac Day. However, there are still required readings and a problem set assigned for that week.

### 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 macroeconomy of a country is a complex network consisting of millions of interacting pieces such as consumers, firms, banks, and government institutions. This course introduces students to some of the key models economist employ to understand how these pieces interact to generate economic growth, the business cycle, and inflation.

The course covers models of aggregate income determination in open economies; theories of aggregate economic behaviour with respect to consumption, investment expenditures, and financial transactions; balance of payments and exchange rate analysis; theories of inflation and unemployment;

introductory dynamic analysis; and theories of growth and business cycles. The models will be applied to the data and used to analyse the observed growth patterns across the world. Macroeconomics 2 develops the tools, skills and knowledge base necessary to operate as a practicing macroeconomist. The course leads on from the first year macroeconomics course and provides a smooth transition for those intending to pursue macroeconomics in later years.

## **2.4 Aims and Relationship to Other Courses**

The course aims to provide students with:

- The ability to use economic tools in addressing macroeconomic 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 (Macroeconomics I) provides a broad introduction to economic analysis, it is a natural prerequisite for ECON2102. ECON1203 Business and Economic Statistics is also a prerequisite for this course and students are expected to be familiar with basic concepts learnt in that course. ECON2102 is a prerequisite for more advanced macroeconomics courses such as ECON3104 International Macroeconomics.

## 2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all undergraduate coursework students in the Business School. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on the Undergraduate Program Learning Goals and Outcomes, see Part B of the course outline.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

Program Learning Goals and Outcomes		Course Learning Outcomes	Course Assessment Item
<i>This course helps you to achieve the following learning goals</i>		<i>On successful completion of the course, you should be able to:</i>	<i>This learning outcome will be assessed in the following items:</i>
1	Knowledge	Explain the assumptions of standard models of macroeconomics.  Use statistical skills to present data relevant to problems in macroeconomics.	<ul style="list-style-type: none"><li>• Tutorial Problem Sets</li><li>• Exams</li></ul>
2	Critical thinking and problem solving	Use the standard models of macroeconomics to interpret and analyse real problems in macroeconomics	<ul style="list-style-type: none"><li>• Tutorial Problem Sets</li><li>• Exams</li></ul>
3a	Written communication	Construct written work which is logically and professionally presented.	<ul style="list-style-type: none"><li>• Tutorial Problem Sets</li><li>• Tutorial Journal</li><li>• Exams</li></ul>
3b	Oral communication	Communicate ideas in a succinct and clear manner.	<ul style="list-style-type: none"><li>• Tutorial Discussion (not formally assessed)</li></ul>
4	Teamwork	Work collaboratively to complete a task.	<ul style="list-style-type: none"><li>• Tutorial Discussion (Not specifically assessed )</li></ul>
5a.	Ethical, environmental and sustainability considerations	Identify and assess environmental and sustainability considerations in problems in macroeconomics.	<ul style="list-style-type: none"><li>• Tutorial Discussion and Journal</li></ul>
5b.	Social and cultural awareness	Not specifically addressed in this course.	<ul style="list-style-type: none"><li>• Tutorial Discussion and Journal</li></ul>

### 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](http://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.

Since understanding and using economic models is such a fundamental component of economics a considerable part of this course is devoted to systematically working through key macroeconomic models. The best way to gain a deep understanding of these models is by working through the models yourself using a pen and paper. Look at the equations and write them out (or draw the diagrams). Note what variables enter into the models and make sure you can provide an intuitive explanation as to why they are there. Think about the assumptions used in the model and ask why they are used. Look at how the model is solved and then look at the solution and see if it makes economic sense. It usually takes time to build-up these skills so it is good practice to begin early in the session and do a little at a time. In the lectures I will work through key models, however the tutorial exercises and the problem sets will give you practice at working with economic models and help you acquire the necessary skills.

#### 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 emphasize the important concepts, models and methods of each topic, and to provide relevant examples to which the concepts and methods are applied. Lecture slides can be downloaded from Moodle prior to each lecture.

##### *Tutorials*

Tutorials are an integral part of the subject. They will be devoted to examining the structure of standard macroeconomic models of the economy and to learning how to analyze and interpret such models. Tutorial problem sets will be provided for each week’s tutorial via Moodle.

##### *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:

1. Reading of the relevant chapter(s) of the textbook and accessing the lecture slides from Moodle before the lecture. This will give you a general idea of the topic area.
2. 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 will be explained.
3. 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; and
- make a satisfactory attempt at ALL assessment tasks. This means attendance at 80% of tutorials (9 out of 12) and a mark of at least 40% in all assessment items.

### 4.2 Assessment Details

	Assessment Task	Weighting	Length	Due date
1	Tutorial Problems and Journal	20%	As required	In tutorial/Week 12
2	Mid Semester Exam	20%	1 hour	Week 8 in Lecture
3	Final Exam	60%	2 hours	As scheduled in official exam period

### 4.3 Tutorial Problems, Journal, and Discussion

The tutorials will cover case studies that are provided in the textbook. The case studies are typically applications of the theoretical models learned in the lecture. The tutorials give students the chance to discuss and apply the models to real world applications. Each week students will be given a tutorial problem set to work on in groups.

In addition, some tutorials have an outside reading component (see Tutorial Schedule). The reading is used to motivate discussion and the tutorial problem sets. Students are required to keep a class journal where their notes and reflections on these reading are to be recorded. The journals will be collected and assessed at the end of the course.

#### 4.3.1 Practice Problem Sets

There are four practice problem sets in the course. The practice problem sets should be completed before the tutorial in which they are discussed. The problem sets are to be included with course journals and are assessed for completion and in some cases accuracy when the journals are handed in during Week 12.

#### 4.3.2 Tutorial Attendance

No marks are awarded for tutorial attendance. However, a record of attendance at tutorials will be kept. **Students should note that** 80% attendance is required by UNSW and Business School rules. Attendance at 9 of 12 tutorials will be deemed as meeting the requirement. In certain circumstances, such as where a request for special consideration is made in relation to assessment items, tutorial attendance will be taken into account in determining your final assessment or whether special consideration is granted.

#### 4.4 Mid Semester Exam

A mid semester exam will be administered in week 8 of the course. The mid semester exam will test the ability of the students to solve the models learned in the first half of the course. It will also test students on material covered by the tutorial readings.

#### 4.5 Final Exam

The final exam is held during the University examination period with the date and time determined by the University. It is comprehensive and covers all materials covered in lectures and tutorials.

The final exam tests the ability of students to explain the assumptions and structure of standard models in macroeconomics and to analyse simple versions of these models. In addition, students are asked to apply models to interpret and analyse real problems in macroeconomics. The questions will also test knowledge of important policy issues that arise in the macroeconomy.

#### 4.6 Quality Assurance

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential and will not be related to course grades.

### 5 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 myExperience Survey Tool is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

## 6 COURSE RESOURCES

The website for this course is on UNSW Moodle at:

<http://moodle.telt.unsw.edu.au>

The textbook(s) for this course are:

*Macroeconomics: Third Edition* (2012), Charles Jones, W.W. Norton & Company, New York.

The above is the primary textbook for this course. It can be purchased from the UNSW bookshop. We will cover most of the material in this book during the course.

The lecture schedule and the tutorial program define the examinable content of the textbooks.

## 7 COURSE SCHEDULE

### 7.1 Lecture Schedule

Lectures start in Week 1 and finish in Week 12.

LECTURE SCHEDULE		
Week	Topic	Reference
Week 1 27 February	Review A model of production	Jones: Ch 1-4
Week 2 6 March	Exogenous growth Solow-Swan growth model	Jones: Ch 5
Week 3 13 March	Endogenous growth Ideas and the Romer model	Jones: Ch 6
Week 4 20 March	Labour Market, Wages, and Unemployment	Jones: Ch 7
Week 5 27 March	Inflation	Jones: Ch 8
Week 6 03 April	Introduction to the Short Run	Jones: Ch 9
Week 7 10 April	A short-run model And the IS curve	Jones: Ch 9 & 11; Class Notes
Mid-semester break: Friday 14 – Saturday 22 April inclusive		
Week 8 24 April	<i>(Tuesday 25 April is Anzac Day public holiday)</i> <b>Mid-session Exam</b>	
Week 9 1 May	Classic Model of IS/LM and AD/AS	Class Notes
Week 10 8 May	Monetary Policy and the Phillips Curve	Jones: Ch 12
Week 11 15 May	The AD-AS model and the Great Financial Crisis	Jones: Ch 13 & 14
Week 12 22 May	The Great Recession and DSGE	Jones: 14, 15, & 18
Week 13 29 May	NO LECTURES	

## 7.2 Tutorial Schedule

Tutorials start in Week 2 and finish in Week 13.

TUTORIAL SCHEDULE		
Week	Topic	Assigned Reading
Week 1 27 February	NO TUTORIALS	1. "What Economists Do" – Robert Lucas
Week 2 6 March	Why Doesn't Capital Flow from Rich to Poor Countries?	<ol style="list-style-type: none"> <li>1. Jones Ch. 4 Case Study pg. 83;</li> <li>2. Lucas, R. E. (1990). Why doesn't capital flow from rich to poor countries?. <i>The American Economic Review</i>, 92-96.;</li> <li>3. Alfaro, L., Kalemli-Ozcan, S., &amp; Volosovych, V. (2008). Why doesn't capital flow from rich to poor countries? An empirical investigation. <i>The Review of Economics and Statistics</i>, 90(2), 347-368.</li> </ol>
Week 3 13 March	Wars and Economic Recovery	<ol style="list-style-type: none"> <li>1. Jones Ch. 5 Case Study pg. 119.</li> <li>2. Miguel, E., &amp; Roland, G. (2011). The long-run impact of bombing Vietnam. <i>Journal of Development Economics</i>, 96(1), 1-15.</li> </ol>
Week 4 20 March	Assignment 1 Discussion and Review	none
Week 5 27 March	Intellectual Property Rights in Developing and Developed Countries	<ol style="list-style-type: none"> <li>1. Jones Ch. 6 Case Study pg. 141 &amp; 143.</li> <li>2. Podcast: <a href="#">TAL – When Patents Attack</a></li> <li>3. Blog Post: <a href="#">Societal Dividends</a></li> </ol>
Week 6 03 April	Income Inequality (Jones Ch. 7 pg. 194)	<ol style="list-style-type: none"> <li>1. Jones Ch. 7 Case Study pg. 194</li> <li>2. <a href="#">Inequality in Australia</a></li> <li>3. Krusell, Per, and Tony Smith. "Is Piketty's 'Second Law of Capitalism' Fundamental?." <i>Institute for International Economic Studies, CEPR and NBER</i> (2014).</li> </ol>
Week 7 10 April	Assignment 2 Discussion and Review	none
Mid-semester break: Friday 14 – Saturday 22 April inclusive		
Week 8 24 April	<p>(Tuesday 25 April is Anzac Day public holiday)</p> <p>The Great Recession: A First Look</p>	<ol style="list-style-type: none"> <li>1. Jones: Ch. 10 (the full chapter)</li> <li>2. Podcast: <a href="#">TAL – Inside Job</a></li> <li>3. Podcast: <a href="#">Planet Money – The Last Bank Bailout</a></li> </ol> <p>NOTE: TUTORIAL ARE NOT HELD THIS WEEK DUE TO ANZAC DAY. READINGS AND A PROBLEM SET, HOWEVER, ARE STILL REQUIRED TO BE COMPLETED.</p>
Week 9 1 May	Fiscal Policy in Depressions	<ol style="list-style-type: none"> <li>1. Jones: Ch 11 Case Study pg.296;</li> <li>2. Auerbach, A. J., Gale, W. G., &amp; Harris, B. H. (2010). Activist fiscal policy. <i>The Journal of Economic Perspectives</i>, 141-163.</li> </ol>

Week 10 8 May	Assignment 3 Discussion and Review	none
Week 11 15 May	Forecasting and the Business Cycle/Rational Expectations and the Lucas Critique	<ol style="list-style-type: none"> <li>1. Jones Ch. 13 Case Study pg. 362 &amp; 368</li> <li>2. Podcast: (This is old but it is really good) <a href="#">TAL – Funny You Don't Look Two-ish</a></li> </ol>
Week 12 22 May	Assignment 4 Discussion and Review	<p>none</p> <p>(Tutorial Journals are due at the end of this tutorial)</p>
Week 13 29 May	Exam Review	<p>none</p> <p>(Marked Journals will be returned)</p>