

Introductory Macroeconomics

Lecture 1: introduction and course overview

Bruce Preston & Daeha Cho

1st Semester 2021

Welcome

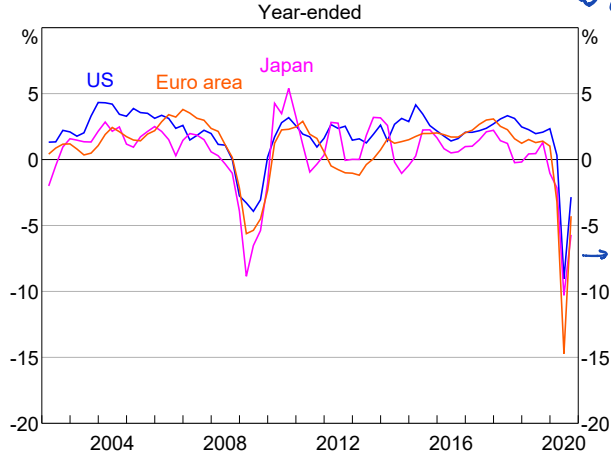
- An introduction to *macroeconomics*
- The study of *aggregate economic outcomes*:
(national output, unemployment, inflation, interest rates, etc)
- Main goals in this course are to learn
 - fundamental macro concepts, theoretical frameworks
 - key issues in macroeconomic policy debates
 - key facts about the Australian and global economies
- Let's dive in

Global Economic Activity ①

GDP a measure of national income

GDP Growth – Advanced Economies

② Growth : change.



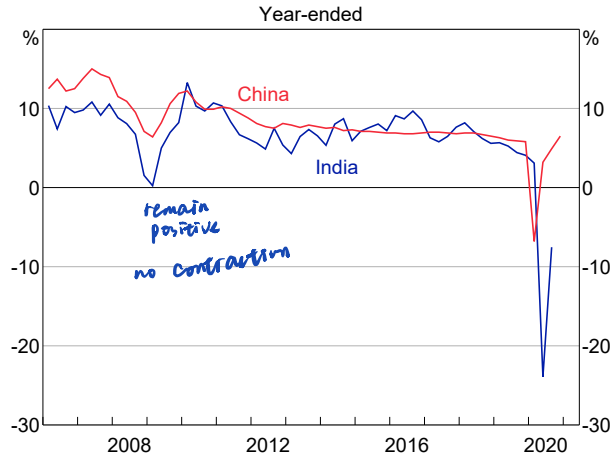
2-3%

→ global pandemic

Source: Refinitiv

Global Economic Activity

GDP Growth – China and India



Sources: CEIC Data; RBA

scale.

high rate vs. low rate.

remain
positive
no contraction

Course Outline

Staff

- *Bruce Preston* (lecturer, weeks 1–6)
 - Email: prestonb@unimelb.edu.au
 - Office hours: Thursdays 14:00 – 15:00 or by appointment
 - Zoom link on Canvas
- *Daeha Cho* (lecturer, weeks 7–12)
 - Email: daehac@unimelb.edu.au
 - Office hours: Mondays 11:00 – 12:00
 - Zoom link on Canvas
- *David Moreton* (tutorial coordinator)
 - Email: dmoreton@unimelb.edu.au
 - Office hours: Wednesdays 12:00 – 13:00
 - Zoom link on Canvas

Staff

- Tutors
 - will provide contact details and office hours
 - information to be posted on Canvas
- Online Questions
 - Q&A platform *Ed Discussion* accessible from Canvas
 - lets you ask your own questions, and see questions asked by others
 - details to be provided on Canvas

Lectures and Tutorials

- Lectures: two lectures per week. Formally:

Mondays: 10:00 – 11:00

Wednesdays: 10:00 – 11:00

Due to COVID-19 restrictions, lectures will be pre-recorded and available from Canvas

- Tutorials: one tutorial per week
 - begin next week
 - enrol via Student Portal
 - *pre-tutorial task* – to be done prior to tutorial
 - *in-tutorial task* – to be done during tutorial

Slides and Textbook

- Main resource is these *lecture slides* and *tutorial materials*
- Optional textbook

Bernanke, Olekalns, Frank, Antonovics and Heffetz (BOFAH),
Principles of Macroeconomics, 5th Edition, 2019.

- Older editions are a good substitute
- Physical and e-text versions are available for purchase
- Also copies in library

Assessment

<i>Task</i>	<i>Due date</i>	<i>Weight</i>
Online test #1	March 31 – April 1	6%
Online test #2	May 20 – 21	6%
Assignment #1	April 14	11%
Assignment #2	May 12	11%
Final exam (hurdle)	exam block	66%

Lecture Schedule

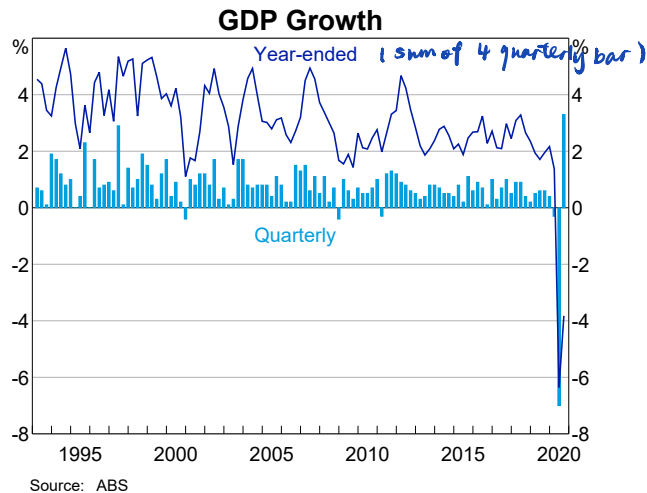
- Part I: Bruce Preston
 - *introduction and fundamental macro concepts*, lectures 1–4
GDP, inflation and interest rates, employment and unemployment
 - *short-run macroeconomics*, lectures 5–12
economic fluctuations, fiscal and monetary policy
- Online test #1 and assignment #1 based on this material

Lecture Schedule

- Part II: Daeha Cho
 - *long-run macroeconomics*, lectures 13–16
savings, investment, growth, productivity
 - *international economics*, lectures 17–23
trade, exchange rates, balance of payments
- Online test #2 and assignment #2 based on this material
- Final exam is cumulative, covering whole course
 - *final exam review*, lecture 24

Some Macro Policy Questions

Australia's Long Boom

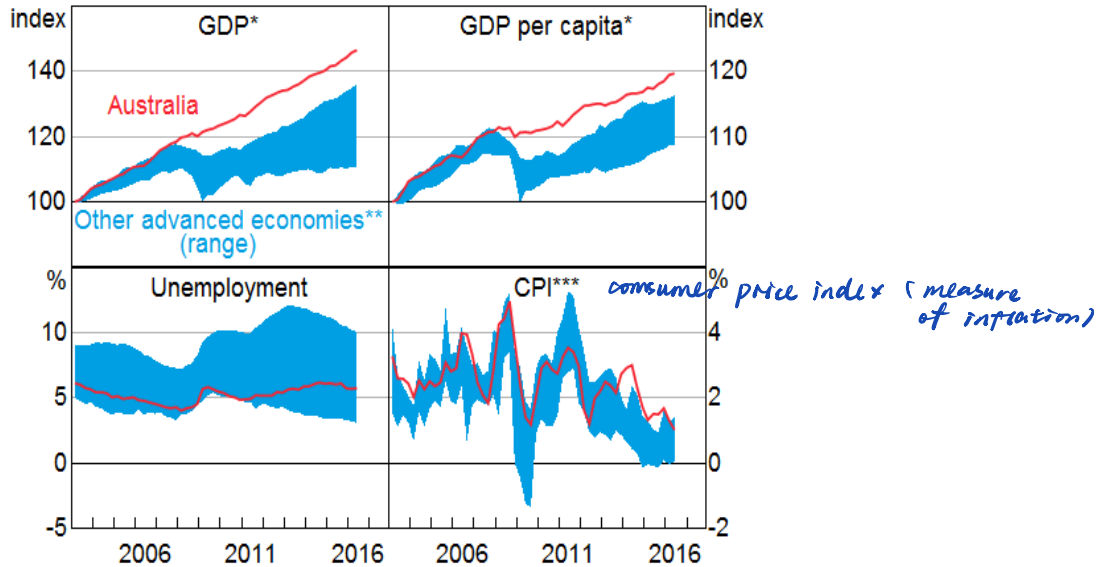


Australia's Long Boom

- Australia had not had a *recession* for 28 years
- This is pretty much the world-record for the longest stretch of unbroken economic growth in modern times
- Is this the result of *good policy* or *good luck*?
- What are the economic implications of the global pandemic?

same economic mechanism or different ?

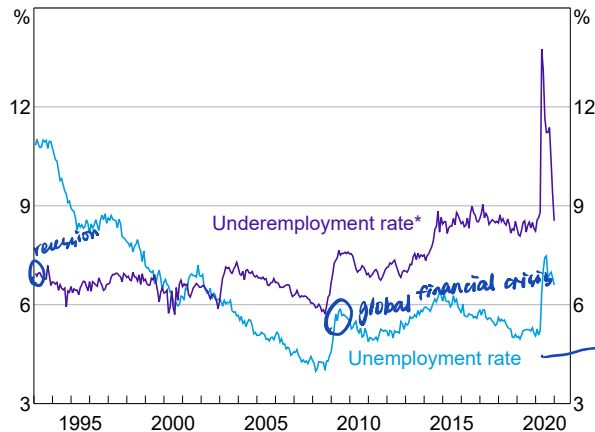
Good Policy or Good Luck?



Is Unemployment High?

Labour Underutilisation Rates

Heads-based

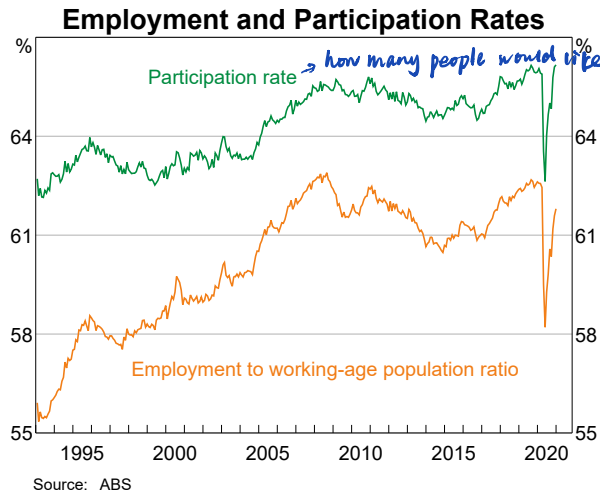


* Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours

Source: ABS

of people who would like to work but who cannot.

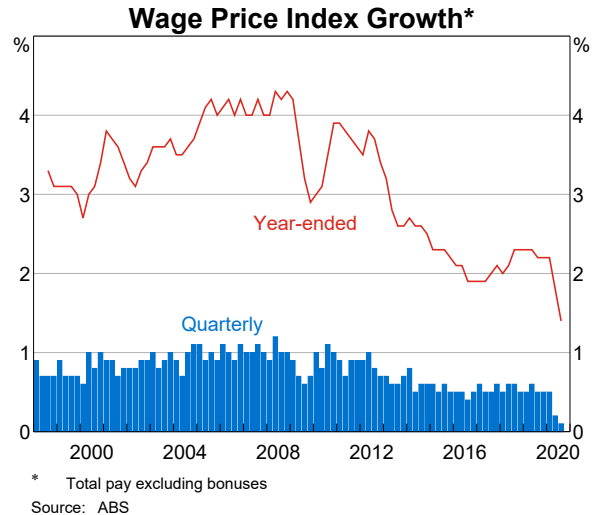
Other Labour Market Indicators



→ how many people would like to work in the labour market

eg.
structure change of the economy
1 work force per family
↓
2 work forces per family

How Fast Should Wages Grow?



- It's okay if this is a lot to get your head around.
- We'll go through this all very carefully in coming weeks.

Next Lecture

- Beginning of fundamental macro concepts
- Aggregate economic activity
 - measuring GDP, circular flow of income
 - national income accounting
 - nominal vs. real GDP *measured in \$* → *real quantity of goods*
 - GDP levels vs. GDP growth *level of income changes over time*
- BOFAH chapters 1 and 2