Course Outline for
Macroeconomics 1 (ECON1102/ECON7074)

Second Semester 2014

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Head Tutor: Taya Dumrongritikkul, Arndt 2020 phone 61257223

Course Administrator: Terry Embling, Arndt 1013 phone 61250384

Lecture Times:
- Tuesday: 10-11am Room MCC T1
- Wednesday: 10-11am Room MCC T1
- Thursday: 10-11am Room MCC T1

Repeat Lecture Times:
- Tuesday: 5-6pm Room MCC T3
- Wednesday: 5-6pm Room MCC T3
- Thursday: 5-6pm Room MCC T3

Tutor Help Desk: TBA Room Arndt 1002


Other Useful Texts:

If you cannot afford, or do not wish to own, a personal copy of the textbook, copies are available from the ANU Library's 2-hour reserve listing.
Aims of the Course

This course aims to provide a solid understanding of introductory macroeconomic theory and the relevant tools and ideas to apply this understanding to new problems and situations. The focus is on giving you a broad overview of the topics and to share the excitement for the subject. Many topics and concepts will be unfamiliar to you. However, by the end of the course you should be able to critically think about macroeconomic problems and to embark on more technical and more nuanced macroeconomic courses in later years.

The basic concepts, topics and ideas are presented in the lectures. Tutorials are designed to deepen students’ understanding of the material covered in the lectures and to give you an opportunity to apply your knowledge in a wide range of problem sets.

The course is challenging, some would say very challenging. As such, attendance at lectures and tutorials is expected. Failing to attend either lectures and/or tutorials almost always results in poorer grades. You are responsible for acquiring all learning material and for being continuously informed about all aspects of the course. If you are having difficulties with any aspect of the course, you must contact your tutor early. Do not wait until the end of the semester if you need help. Get help early!

You are expected to have taken Microeconomics I. If you have difficulties with basic microeconomic principles, please review them prior to sitting Macroeconomics I.

Learning Outcomes

Upon successful completion of this course, students should be able to:

- Understand the core theoretical models used by macroeconomists, in particular the Solow-Swan growth model and the AS/AD-model;
- Discuss the usefulness and limitations of these models;
- Explain and understand some of the associated empirical implications and policy issues;
- Critically read and understand many newspaper and magazine articles covering current economic events;
- Have a brief overview of some of the institutional features of the Australian economy and some overseas economies.

Tutors

Tutorials will meet weekly beginning in Week 2. Tutorial enrolment will be organised by the Electronic Teaching Administrator (ETA) which can be accessed at http://eta.fec.anu.edu.au. Once you are enrolled in a tutorial, tutorial changes will only be considered under exceptional circumstances and these must be approved by Terry Embling, the course administrator. You must attend the tutorial section in which you are enrolled.

How To Learn the Material and Obtaining Feedback

Lectures:
To learn the material, it is necessary to attend lectures regularly and to read the assigned texts/articles. Readings consist of textbook chapters, other book chapters, academic journal articles and newspaper/magazine articles, most of which will be made available on Wattle. You should go over the material in your own time before and after the lectures. Some additional readings may be provided after the lectures.
All lectures and repeat lectures (but not tutorials) will be recorded and made available on the DLD (Digital Lecture Delivery) section of the Wattle course site. DLD is meant for people who really cannot make it to particular lectures, for people who are unable to attend physically (i.e. for medical reasons), and for those wanting to review the lecture material. For the able-bodied the DLD is not meant to be a substitute for attending lectures.

**Staying Abreast of Current Events:**
You should try to stay abreast of current events and regularly read the business and economics sections of leading newspapers and magazines (The Economist, Financial Times, Australian Financial Review, etc.)

**Tutorials:**
As indicated earlier, a crucial component of the course is the ability to analyse a problem using macroeconomic tools. Learning-by-doing is the best way to achieve this. To this end, you should always attempt the problem sets before attending your tutorials. Simply copying answers provided in the tutorial is an ineffective and dangerous technique for learning how to solve problems. Additional questions at the end of each chapter in the text provide further practice.

Many questions will be difficult, some will be very difficult. This is deliberate to force you to think hard about a problem. Arriving at the correct answer is of secondary import to begin with—you learn from mistakes and from being pushed. Even if the solution appears elusive, you should attempt every question. The brain is like a rubber band—it is only useful when stretched.

You are strongly encouraged to actively participate in tutorials by volunteering answers, asking questions and engaging with the tutor and your classmates. Tutors are there to assist in learning the material, provided you have attended the lecture, kept up with the reading and made a serious effort at answering the tutorial questions. The Tutor Help Desk times are given on the first page of this document. Tutors’ individual consultation times (if applicable) will be communicated to you by the tutor in person. Tutors cannot make up for the lack of student effort.

**Additional Learning Aids and Online Resources:**
There are additional learning aids and online resources you may find useful. Please see the Preface of the Jones textbook for further details.

**Small Study Groups:**
You are strongly encouraged to study in small groups (2-4 students). Study groups provide you with a non-threatening environment to ask questions and discuss mutual problems. If you are stuck on a problem, probably someone else is too. Moreover, explaining a concept to your peers is the best way to learn and calcifies the material in your memory. Finally, study groups offer an effective commitment device to do the work. However, you should make sure that the problem sets reflect your own work; members of a study group should not write down identical answers.

**Wattle Forum:**
Use the Wattle News Forum! Feel free to post questions (and answers!) related to the course material on Wattle Forum. The usual internet etiquette applies. Be precise, concise and specific.

A good question might be, "In Tutorial Problem Set 2, Question 4, we are asked to analyse the effect of an oil price shock on GDP and inflation assuming rational expectations. Here is my proposed answer: The AS curve jumps up, causing an increase in inflation and a reduction in GDP but I’m unsure whether the AD curve also jumps to the new equilibrium, or whether the AD curve moves to the new equilibrium gradually. Any ideas? And what is the economic intuition?"
This question clearly shows that the student has thought about the problem and attempted to answer it herself in the first instance.

Posing a question such as "I don't understand what the AD curve is and all this curve shifting is totally confusing. The exam is only 8 weeks away!!!!!!!!!!!! This is too hard!!!!!!" is not useful.

Students are encouraged to post answers (precise, concise and specific) to their peers’ questions. If all goes well, there will be a lively discussion of the course material on the Wattle Forum, with everyone benefiting.

I will monitor the forum discussions and will periodically contribute, mostly when I can tell that the discussion is going in a completely wrong direction.

Repeat: Please be polite, relevant, precise, concise and specific.

**Summary:**
Internalize the following Confucian wisdom:
- I hear and I forget.
- I see and I remember.
- I do and I understand.

**Assessment**

1. **Final Exam (50% of total course mark)**
   The final exam will test the entire material covered throughout the semester. It will be held during the university examination period.

2. **Mid-term Exam (30% of total course mark)**
   There will be one mid-term exam, testing the entire material covered in the first seven weeks. It will most likely be held in week 8.

3. **Two Take-Home Assignments (10% of total course mark each)**
   There will be take-home assignments, each worth 10% of the total course mark. Assignment 1 will probably be due in week 5 and will examine the material covered until then. Assignment 2 will probably be due in week 11 and will likely test the material covered in weeks 7-10.

Answers on exams should be clear, neat, relevant and concise. Due to the volume of grading, there will only be minimal written comments from your tutors.

Assignments will be returned to the students by the tutors only, not by the course administrators. Assignments can be completed and submitted as groups consisting of up to 4 students. Each group member will receive the same mark.

The mid-term and final exam will consist of three parts. The first part contains multiple choice questions (MCQ). The second part contains “short answer” questions (SAQ) that typically focus on a single concept. Good answers to these questions range from a couple of sentences to approx. half a page, rarely longer. The third part contains “long answer” questions (LAQ), with several sub-questions, which test your technical skills as well as your general understanding, intuition and knowledge of macroeconomics.

The assignments will be similar in style to the LAQs in the exams.
Past exams with answer keys will be made available on Wattle nearer the exam dates.

WARNING: There is a growing tendency for students to haggle over grades. This is totally unacceptable. You are reminded that you need to earn your grades. This requires hard work, many hours of studying, and focus. Top grades (high distinction) are rare; they are evidence of outstanding academic achievement and typically no more than 5% of students earn HD's. Failure rates can be as high as 30%. It is important that you are realistic about your expectations. University is not high school; even if you cruised through high school, you are likely to have to put in considerably more effort at university to do well.

Communication

All course material, including lecture slides, problem sets, articles, etc., will be made available on the Wattle site for ECON1102/ECON7074. All students formally enrolled in this course should have access to this site and should check it several times a week.

Typically, preliminary slides will be posted shortly before the lecture. Sometimes revised or updated lecture slides will be posted after the lecture. Problem sets for the tutorials will normally be made available each Thursday evening for the following week.

If you have questions about the course, either about the lectures or the tutorials, contact your tutor in the first instance. He or she will be able to deal with the vast majority of issues.

The tutors and lecturer are there to help you. However, they are busy people and it is unreasonable for you to expect them to be on call 24/7. There is a Tutor Help Desk where you can go to ask questions and seek advice. This is the normal time to see the tutors. Some tutors may also offer individual office hours; however, they are not required to. If you need to see your tutor outside office hours you must arrange a time beforehand, preferably by email. Do not show up at your tutor’s office outside office hours unannounced, please.

When communicating with your tutor and your lecturer, please be polite. Starting an email with “Hey” is inappropriate; do not be surprised if you do not receive a response to rude messages.

Policies

You are expected to be familiar with, and respect, ANU College of Business and Economics as well as ANU-wide policies and procedures regarding special and supplementary examinations, special consideration, academic honesty and plagiarism. These rules can be found under “General Policies“ at the following webpage: http://cbe.anu.edu.au/Current_Students/general_info/.

Missing An Exam

You are expected to sit all exams and quizzes. If you are seriously ill on the day of an exam or quiz, then you must obtain a medical certificate and hand it to Terry Embling. This must be done as soon as possible following the period of absence covered in the certificate. Do not delay – it looks bad and will severely impede your chances of having any special requests granted.

Students who miss the midterm or final exam for a valid reason and who have sought, and been granted, a special request, will be able to sit a special exam.

Students who miss a quiz for a valid reason and who have sought, and been granted, a special request, will not be able to sit a special quiz. Instead, their mid-term and final exams will be reweighted to make up for the missed quiz.
Honours

Students who wish to take the Honours stream should attend the first Honours session. The time and place will be announced.

If you would like to take the first year honours course you will need to enrol in ECON1100 instead of ECON1102. Honours students attend all the usual Macroeconomics 1 classes as well as an additional honours lecture and tutorial on Mondays, 10am-12pm in Arndt Lecture Theatre 2. The first Honours lecture/tutorial will be held in Week 2. Students can switch back to ECON1102 at any point during the first half of the semester.

All questions pertaining to the Honours stream should be directed at Maria Racionero (maria.racionero@anu.edu.au).

Audience Response System (Poll Everywhere)

Periodically, in the lectures, I will pose questions. Students are expected to submit their answers on the spot by sending a text message from their mobile phone or through a designated website on their computer/iPad/iPod/smartphone/etc. The system which enables this is called Poll Everywhere (http://www.polleverywhere.com/). Further details will follow in the lectures.

Student Feedback

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, as well as opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to:
http://unistats.anu.edu.au/surveys/selt/students/ and
http://unistats.anu.edu.au/surveys/selt/results/learning/

We (I and the tutors) take these surveys seriously. Please take the time at the end of the course to complete the SELS surveys for this course. Thank you in advance for your cooperation and support.
Course Outline

I. Introduction (3 Lectures)
   1. Introduction to Macroeconomics – Chapter 1 (1 Lecture)
   2. Measuring the Macroeconomy – Chapter 2 (2 Lectures)

II. The Long Run (10 Lectures)
   1. Overview of Long-Run Economic Growth – Chapter 3 (1 Lecture)
   2. A Model of Production – Chapter 4 (2 Lectures)
   3. Exogenous Growth (Solow-Swan Model) – Chapter 5 (2 Lectures)
   4. The Labour Market in the Long Run – Chapter 7 (2 Lectures)
   5. Money and Inflation in the Long Run – Chapter 8 (3 Lectures)

III. The Short Run (12 Lectures)
   1. Overview of Short-Run Issues – Chapters 9-10 (2 Lectures)
   2. IS Curve – Chapter 11 (3 Lectures)
   3. Monetary Policy and the Phillips Curve – Chapter 12 (3 Lectures)
   4. AS/AD Framework and Stabilization Policy – Chapter 13 (4 Lectures)

IV. Further Topics (11 Lectures)
   1. Financial Markets and the Macroeconomy (3 Lectures)
   2. Fiscal Policy and Government Budget Constraints – Chapter 17 (2 Lectures)
   3. Open Economy Macroeconomics – Chapter 18-19 (4 Lectures)
   4. Miscellanea: Complexity, Nonrationality, Multiple Equilibria (2 Lectures)

Unless otherwise specified, chapter numbers refer to the Jones textbook (2nd edition).

For many topics, especially in section IV, additional sources will be necessary. These will be made available to you around the time of the respective lecture.

This course outline is fluid. Depending on how the course progresses, the weighting of some topics may change and some topics may be dropped or added.