ECON1102
Macroeconomics 1

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On Campus (Class attendance is compulsory)</th>
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<tbody>
<tr>
<td>Prerequisites</td>
<td>As listed in Programs and Courses</td>
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<tr>
<td>Incompatibilities</td>
<td>As listed in Programs and Courses</td>
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<tr>
<td>Course Convener</td>
<td>Timothy Kam</td>
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<tr>
<td>Office hours</td>
<td>Monday 4-6pm or by prior appointment</td>
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<tr>
<td>Research Interests</td>
<td>Macro, Money, Politics, Computation</td>
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<tr>
<td>First Contact point</td>
<td>Jamie Cross</td>
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SEMESTER 1, 2016

This Outline will be superseded by its official version on WATTLE. Enrolled students should rely on the latter for policies and on WATTLE for weekly task updates. This version: compiled on 19.02.2016 at 07:57 (AEST).
Course Description: On average why is each generation of people “better off” than its predecessors? Why do some nations catch up in economic well being, while others are persistently poor? What drives poverty and inequality of living standards? What is inflation? What is unemployment? What is the business cycle and why do we care about these measures of the business cycle? Are they socially costly? How do statisticians and economists measure these realities? How do we logically think about what drives these measurable economic outcomes? How do banking, finance and information play a role in these outcomes? What about politics? What is an exchange rate? How do we understand international finance? What role do economic policies play in these various economic issues? What are these policies and how are they conducted? Can we improve on these policies? How do we think about major recessions and economic crises? What are the long terms policy issues that we should care about? These are very big and varied questions. These issues not only matter for the keen student of economics, but they also affect the lifetime opportunities and decisions of businesses, policy makers and the individual person: You and the generations that will come after you.

This course will introduce you to some of the language in mainstream Macro-economics, and it will hopefully give you an appreciation for how one attempts to measure, understand, explain and control the reality of economies as a whole. In order to analyze and understand a given macroeconomic reality, and in order to hopefully make useful predictions or policy prescriptions, we need to learn to think within a logical paradigm—i.e. some postulated economic model(s). Once we learn how these baseline paradigms behave, we can step outside of these “boxes” to critique some of their deficiencies. We will also discuss how economists consider alternative solutions and modes of thinking. This course will be presented at a level suitable for the novice with an aptitude for critical and analytical thinking, and also for the general student who is prepared for a serious intellectual challenge—i.e., the future leaders, thinkers and doers from ANU.
Important Contacts:

This course is offered by the ANU Research School of Economics: Level 1, HW Arndt Building 25A.

For enrolment, tutorial and general administrative inquiries relating to this course, please contact the Head Tutor of this course:

- **Name:** Jamie Cross
- **Office:** Rm 1127, Copland Bld (24)
- **Email:** j.cross@anu.edu.au

For inquiries on the lecture material, feel free to see your lecturer or assigned tutor during office hours (details to be posted on WATTLE). You are strongly encouraged to use the WATTLE Forum to post and discuss your course-related questions with us and your fellow students.

If your study is affected by illness or some other issues arise, please visit the reception at Level 2, CBE Building 26C, Tel: +61 2 612 53807 or email info.cbe@anu.edu.au.

Prerequisite(s):

Completion of, or, concurrent enrolment in ECON1101 Microeconomics 1.

Contact Hours and Minimum Workload:

2 × Lectures and 1 × Tutorial per week. Minimum 2-3 hours of self/group-study and tutorial preparation, plus contact hours, per week.

Textbook:

*Macroeconomics, 3rd Edition, 2014*

by Hubbard, Garnett, Lewis and O’Brien (a.k.a. “HGLO”)

with MyEconLab (and Learning Catalytics) online.

Note: You can either get the Value Pack with hard-copy Textbook, MyEconLab and eBook bundle, or, just the eBook with MyEconLab bundle. Contact the ANU Co-Op Bookstore for more information.

Learning Catalytics is used for some in-tutorial work. If you agree to register with MyEconLab, you can access both platforms simultaneously. (Note that your agreement is with the publisher of the textbook, not the ANU.) MyEconLab is an interactive learning tool useful for revision and additional practice, and, Learning Catalytics will be used for live in-class participations. These tools are designed to reinforce your understanding and intellectual prowess in the material covered in lectures. You may choose not to use MyEconLab/Learning Catalytics but instead submit your written responses to in-tutorial (assessment) tasks on paper to your tutors.

For students with financial constraints, we have arranged for equity access licences to MyEconLab and Learning Catalytics so that you are not disadvantaged, should you wish to rely on these tools. Please contact the Head Tutor for more information.
Useful references (non-prescribed):


If you cannot afford a personal copy of the textbook, copies are available from the ANU Library's 2-Hour Reserve listing.

Other readings on the side:

  Amazon link: http://goo.gl/ZQnox
- Darrell Duffie, How Big Banks Fail: And what to do about it, 2011.
- Various real-time blogs, news, articles, and policy reports, to be introduced during the course on WATTLE forum.

Course Objectives:

At the completion of this course, students should be able to:

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

<table>
<thead>
<tr>
<th>Weight (%)</th>
<th>Est. Schedule</th>
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<tbody>
<tr>
<td>Graded Tutorial Preparation</td>
<td>10</td>
</tr>
<tr>
<td>Live Tutorial Participation</td>
<td>10</td>
</tr>
<tr>
<td>Midsemester Examination</td>
<td>20</td>
</tr>
<tr>
<td>Final Examination</td>
<td>60</td>
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Grade Definitions:


Course Policies:

• General

  – Exams are closed book, with provision for restricted-page open notes.

  – We have zero tolerance for offensive and aggressive behaviour from students. Attempts to bargain or haggle for marks or for special concessions will not be entertained. Students will be treated as professionals and adults. Thus, you are expected to behave as such at all times in your conduct and communication with faculty members and the teaching staff.

  – Students should be physically available for all course activities throughout the teaching semester and examination period (as defined by the ANU Academic Calendar). Of course we do understand that there may be occasional/unexpected work duties, family or health issues that will prevent some days of non-attendance. If this affects your tutorial and lecture participation, please let us know in advance so we can try our best to help you keep up.

  – The above remains subject to the following: Students are responsible for managing their own study and course participation times. This implies that students ought to be in charge of their own work/social/family/study balance. Students are expected to keep up with all missed coursework, regardless of the reason for absence.

  – All administrative inquiries should be directed to the course Head Tutor listed on this document.

• Attendance, Absences and Missed Assessments

  – Lecture attendance is mandatory for a successful completion of the course. While the ANU provides a Digital Lecture Delivery (DLD) recording service for lectures (ECHO360), do not rely on them solely for successful completion of this course. The DLD is not a substitute for attending and participating in lecture discussions. The lecturer and the Research School of Economics are not responsible for the workings of the DLD service. Please contact the ANU Division of Information regarding DLD.
- **Tutorial preparation and participation are assessable.** Some of these activities will attract compulsory assessment. *Note:* Tutorial participation is designed to foster deep learning, professional collaboration, and communication skills of students that will be useful for ongoing or future careers. Tutorial attendance *per se* attracts no assessment reward. More details on this assessment component will be discussed during lecture in Week 1.

- **Attend only the tutorial session in which you have enrolled.** The mode of tutorial enrolment will be announced on WATTLE and is only available if you have officially enrolled in this course.

- **What if you missed some assessment components?**
  * If you have valid and unavoidable reasons for missing tutorials or course deadlines, please submit a verifiable piece of evidence to the Head Tutor of the course for record. Where appropriate, we may provide you with an alternative assessment scheme.
  * For the Midsemester Examination, such evidence must be submitted to the Student Office at the Research School of Economics directly.
  * For the Final Examination, you must only submit these along with a request for special examination or a request for special consideration through the Student Office at the College of Business and Economics.

**Feedback on Learning:**

- **Weekly Tutorials, Pre- and In-tutorial Activities.**
  - To maximize your experience and feedback on your progress, please attempt the tutorial exercises before attending tutorials.
  - Your in-tutorial participation will be assessed as a means of rewarding ongoing learning and sharing of knowledge. You are also rewarded with marks if you successfully complete weekly pre-tutorial exercises on WATTLE.

- **Lecturer and Tutor Office Hours.**
  - For maximal value, you should have read the relevant materials (textbook, lecture slides) and attempted problems, before turning up to office hours with questions. If you have any difficulties, please do not hesitate to come and see us; and do not wait until the end of semester to do so. The teaching team is there to assist your learning and also to ensure that your university experience continues to be a fun and rewarding one!

- **Tutorial Preparation, Participation and Feedback.**
  - Answers to these activities and general discussions relating to how you understood the material tested will be provided in class.

- **Mid-semester Examination Post-mortem.**
  - We will also dissect the material tested in this component of the course assessment.

- **WATTLE Forum.**
Feel free to post questions related to the course material on WATTLE Forum. The usual internet etiquette applies. The teaching team may answer your questions occasionally. However, please reserve long queries to physical office hours, as we can best help you there.

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, and 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

The lecturer will be conducting in-lecture paper-based surveys mid-semester as well.

Academic Honesty Policy Summary:

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the ANU education policies and an explanatory glossary at: http://policies.anu.edu.au/ Students are expected to have read the Code of Practice for Student Academic Integrity (https://policies.anu.edu.au/pp1/document/ANUP_001126) before the commencement of their course.

The usual rules on academic honesty, plagiarism, misconduct, and etc., apply. Please read the policy carefully, here: http://policies.anu.edu.au/policies/code_of_practice_for_student_academic_integrity/policy. You are expected to know these rules as a student at the ANU. Your liability is considered strict (i.e. ignorance is no excuse).

Where relevant, your written assignment should be properly referenced. Choose a style and stick to it. Avoid excessive footnote. All references must be listed at the end as a separate bibliography. For more information, please read through this link: https://academicskills.anu.edu.au/resources/handouts/referencing-style-guides.
Free Advice for the Listening:

“What is given to you, don’t waste it.”

— Lee Fung Keng

WWII survivor, single mother,
Amah to expatriate ADF\(^1\) families,
worker of multiple jobs.

Time off to “consume” education is a scarce gift, not an entitlement to be taken for granted. Maximize the opportunity you have to be able to engage in intellectual discourse with fellow students and teachers at this leading University. Don’t squander that blessing: Many of our predecessors and contemporaries in some parts of the world (even in the Australia of today) do not have such a luxury. This teaching team will strive to provide you with the best intellectual experience possible, but it takes both of us to engage in meaningful learning and discovery.

What you can and should do whilst spending your next few years in this Intellectual Community:

– Go chat with your lecturer and tutor about what you see, experience or read on a daily basis. Don’t be shy. Underneath our bad fashion sense, we are just regular people interested to learn with you.

– Check out and participate in ANU/RSE events (e.g. public talks, the “RSE Free Pizza Nite”\(^2\), seminars and etc.).

– When you think you’re ready, try knocking on doors to see if some faculty members have part-time jobs that you can do and learn from. We may not all have funds to pay for such assistance.

– If you can afford it, try going on Exchange Programs to other top universities around the world.

– Try to pick up some scientific/quantitative skills—e.g. some mathematics and statistics, and learn some basic computer language. Don’t be tempted by courses that are known to give you an easy time and grades. (There will be many similar-looking graduates out there with these “easy degrees”, and employers are very discerning people!) Try to have a holistic education, especially if you’re just starting out as an undergraduate. However, balancing these with some courses involving logical thinking and scientific skills will not just improve your career path (whatever it may be), but it will help you think about and contribute to the world in a more careful, coherent and thoughtful way. Check out what Professor David Backus at the Stern School of Business in NYU has to say: http://pages.stern.nyu.edu/~dbackus/undergrad_advice.htm. His generic advice also apply to you, the Future Thought Leaders from ANU.

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\(^1\)The Australian Defence Force.

\(^2\)Here you get to meet fellow students who just happen to be more crusty and seasoned than you!
Tentative Course Outline:

Keep up with the reading assignments on the WATTLE Lecture Log (*). **Pre-reading:** Work on Chapters 1-3 on your own before the start of semester. This is a temporary outline:

<table>
<thead>
<tr>
<th>Week</th>
<th>Overview and Elementary Tools/Concepts</th>
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<tbody>
<tr>
<td>Week 1</td>
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</table>
* The Big Picture: Empirical and Policy Questions; Measurement  
* Workshop on very basic analytical and quantitative skills  
* Reading assignment: HGLO Ch. 2, 3, 4; (*)  |
| Week 2 |  
* Reading assignment: HGLO Ch. 5; (*)  
* Tutorial classes begin this week.  |
| **Long-Run Trends** |  |
| Week 3 |  
* Explaining Reality: Sources and Policies; A Very Simple Model; Institutions and Politics  
* Reading assignment: HGLO Ch. 6; (*)  |
| **Long-Run Trends to Short-Run Cycles** |  |
| Week 4 |  
* Reality and Institutions: Measuring Unemployment  
* Reading assignment: HGLO Ch. 7; (*)  |
| Week 5 |  
* Reality, Institutions and Conjectures: Measuring Inflation  
* Reading assignment: HGLO Ch. 8; (*)  |
| **How to Think About the Short Run?** |  |
| Week 6 |  
* Aggregate expenditure, National Accounting, and Output  
* Reading assignment: HGLO, Ch. 9; (*)  |
| Week 7 |  
* A simple AD-AS framework for thinking  
* Reading assignment: HGLO, Ch.10; (*)  
* Mid-Semester Examination (details TBA)  |
| Week 8 |  
* Getting Your Hands Dirty: Monetary Policies  
* Reading assignment: HGLO, Ch. 11, 12; (*)  
* Midterm Exam  |
| Week 9 |  
* Getting Your Hands Dirty: Monetary Policies; Fiscal Policies  
* Reading assignment: HGLO, Ch. 12, 13; (*)  |
| Week 10 |  
* International Finance  
* Reading assignment: HGLO, Ch. 14, 15; (*)  |
| Week 11 |  
* Applying and Extending Our Knowledge: Big Recessions and Financial Crises  
* Reading assignment: (*)  |
| Week 12 |  
* Applying and Extending Our Knowledge: Future Resource Burdens  
* Reading assignment: (*)  |
| Week 13 |  
* Summary and Woodshed Session  
* Reading assignment: (*)  |