# ECON 7074

## Macroeconomic Principles for Economic Policy

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus, in person</th>
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</thead>
<tbody>
<tr>
<td>Prerequisites</td>
<td>As listed in Programs and Courses</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>Incompatible with ECON1102</td>
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<tr>
<td>Co-taught Courses</td>
<td>N/A</td>
</tr>
<tr>
<td>Course Convener and Lecturer/Tutor:</td>
<td>Dr. Timo Henckel</td>
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</tbody>
</table>

| Phone: | 02 6125 5540 |
| Email: | timo.henckel@anu.edu.au |
| Lecture times: | Tuesdays, 3-5pm, and Fridays 2-3pm |
| Tutorial times: | TBA |
| Office hours for student consultation: | TBA, Crisp/Copland 2088 |
| Research Interests | Macroeconomics, Monetary economics, International finance, Behavioural economics |
| RSE Student Office Contact | Nicole Millar |
| Phone: | 02 6125 0384 |
| Email: | enquiries.rse@anu.edu.au |
| RSE Students Webpage | www.rse.anu.edu.au/students |

SEMESTER 2, 2017
COURSE OVERVIEW

Course Description
Macroeconomics is concerned with the operation of the economy as a whole, with attention paid to such things as unemployment, inflation, and interest rates, determination of the level of national income, savings and investment, and the exchange rate and the current account of the balance of payments. The course develops a consistent model of the economy to explore the interactions of key macroeconomic markets and variables and to examine the impacts of different kinds of shocks to the economy and the role of government budgetary and monetary policy in influencing the level of economic activity.

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.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Description</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Assignments</td>
<td>Take-home tasks to be handed in writing, involving problem-solving questions and modelling exercises</td>
<td>15% for first assignment, 15% for second assignment, both compulsory &amp; non-redeemable</td>
<td>TBA, probably Week 4 and Week 10</td>
<td>ASAP</td>
</tr>
<tr>
<td>Mid-semester exam</td>
<td>120 minutes with 15 minutes reading time</td>
<td>25%, optional &amp; redeemable</td>
<td>Week 6</td>
<td>ASAP</td>
</tr>
<tr>
<td>Final exam</td>
<td>150 minutes with 30 minutes reading time</td>
<td>45%, compulsory &amp; non-redeemable</td>
<td>Final examination period</td>
<td>ASAP</td>
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Research-Led Teaching
While the course’s mission is to teach macroeconomic principles, a strong emphasis will be placed on critical thinking. The lecturer is an active researcher, with expertise in macroeconomics, monetary economics, international finance and behavioural economics. Whenever possible, he draws attention to new ideas and evidence in macroeconomics.
Feedback

Staff Feedback
Students will be given feedback in the following ways:

- Oral feedback in lectures and tutorials and during consultations
- Written comments, where relevant, will be included in the assignments returned to students.
- Online feedback through the Wattle course site, especially in the Discussion Forum

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
http://unistats.anu.edu.au/surveys/selt/results/learning/

I 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.

Policies
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 University’s education policies and an explanatory glossary at:
http://policies.anu.edu.au/

Students are expected to have read the Academic Misconduct Rule before the commencement of their course.

Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations

Recommended Resources
Students are strongly urged to obtain a copy of the following textbook which forms the basis for much of this course:


Earlier editions, in particular the second and third editions, of this textbook are also acceptable though not ideal.

You should be able to obtain a copy through the ANU Coop bookshop. Alternatively, order a copy through www.amazon.com or www.bookdepository.com.
Recommended Resources
Other useful texts for the course include:


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

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, the Guardian, etc.)
## COURSE SYLLABUS

<table>
<thead>
<tr>
<th>Week/Session</th>
<th>Summary of Activities</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction and Measuring the Economy (Chs 1 &amp; 2)</td>
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<tr>
<td>2</td>
<td>Economic Growth I (Chs 3 &amp; 4)</td>
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<td>3</td>
<td>Economic Growth II (Ch 5)</td>
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<tr>
<td>4</td>
<td>The Labour Market (Ch 7)</td>
<td>Assignment 1</td>
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<tr>
<td>5</td>
<td>Money, Inflation and Finance (Ch 8)</td>
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<tr>
<td>6</td>
<td>Introduction to Short-Run (Chs 9 &amp; 10)</td>
<td>Midsemester Exam</td>
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<td>7</td>
<td>IS Curve (Ch 11)</td>
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<tr>
<td>8</td>
<td>Monetary Policy and Phillips Curve (Ch 12)</td>
<td></td>
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<tr>
<td>9</td>
<td>AS/AD Model I (Ch 13)</td>
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<tr>
<td>10</td>
<td>AS/AD Model II (Ch 13)</td>
<td>Assignment 2</td>
</tr>
<tr>
<td>11</td>
<td>Open Economy Macroeconomics (Chs 19 &amp; 20)</td>
<td></td>
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<tr>
<td>12</td>
<td>Miscellanea and Behavioural Macroeconomics</td>
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<tr>
<td></td>
<td>Examination period</td>
<td>Final Exam</td>
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Unless otherwise specified, chapter numbers refer to the Jones textbook. You will be told in advance which sections in the textbook are relevant.

For some topics additional sources will be necessary. These will be made available to you prior to the respective lecture(s).

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

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University’s approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

As a further academic integrity control, students may be selected for a 15 minute individual oral examination of their written assessment submissions.

Any student identified, either during the current semester or in retrospect, as having used ghost writing services will be investigated under the University’s Academic Misconduct Rule.

Assessment Tasks
Participation
There are no marks allocated for attendance but participation in lectures and tutorials is encouraged. It is expected that students prepare for lectures and tutorials in advance.

2 Take-Home Assignments
See assessment summary above for details.

Examinations
There will be one mid-term exam, testing the entire material covered in the first six weeks. It will probably be held in week 6.

The mid-semester exam is optional and/or redeemable: there will be no special examinations for the mid-semester exam. Instead the weighting will be moved to the final exam.

The final exam will test the entire material covered throughout the semester, with an emphasis on the second half of the course. (Roughly one third of the exam will cover the first half of the course, and two thirds of the exam will cover the second half of the course.) It will be held during the university examination period.

The format of the mid-term and final exams has not yet been determined. Most likely, it 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.

Answers on exams should be clear, neat, relevant and concise. Due to the volume of grading, there will only be minimal written comments.
Extensions and penalties
Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.

The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

No submission of assessment tasks without an extension after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

Returning assignments
The assignments will be returned during the tutorials and/or lectures as soon as they are marked. An announcement will be made in Wattle.

Resubmission of assignments
Resubmission of assignments is not possible.

Referencing requirements
Students are expected to familiarize themselves with and apply standard referencing procedures. Carefully read and understand the information contained in the relevant web pages under http://www.anu.edu.au/students/learning-development/academic-integrity.

Please pay particular attention to the pages on:
- academic integrity (http://www.anu.edu.au/students/learning-development/academic-integrity/academic-integrity), and
- academic misconduct and plagiarism (http://www.anu.edu.au/students/program-administration/assessments-exams/academic-honesty-plagiarism).

Scaling
Your final mark for the course will be based on the raw marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

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. In the past typically no more than 10% of students earn HD’s. It is important that you are realistic about your expectations.
COMMUNICATION

All course material, including lecture slides, problem sets, articles, etc., will be made available on the Wattle site for 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 Friday evening for the following week.

If you have questions about the course, either about the lectures or the tutorials, please contact the tutor(s) or me.

We are there to help you. However, we are busy people and we also have private lives. It is unreasonable for you to expect us to be on call 24/7.

We have office hours. Take advantage of them. If you need to see us outside our office hours, please arrange a time beforehand, preferably by email. Please do not show up at our offices outside office hours unannounced.

As a general rule, when communicating with your tutors and your lecturer, please be polite. Use appropriate language; do not be surprised if you do not receive a response to rude messages.
HOW TO LEARN

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.

I recommend that you read the relevant textbook chapters prior to attending the lecture. You will be told prior to the lectures which sections will be covered. I will use the lectures to focus on key issues and particularly challenging concepts.

All lectures will be recorded and made available on the Echo360 section of the Wattle course site. Echo360 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 Echo360 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
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 me and your classmates. I am 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. I cannot make up for the lack of student effort.

Additional Learning Aids and Online Resources
Make use of the internet where you can find a plethora of useful learning aids and online resources. The Preface of the Jones textbook refers to additional study aides which, however, have recently been disabled. This is disappointing. I am in touch with the publisher to find out what’s going on.

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 Discussion Forum**
Use the Wattle Discussion Forum! Feel free to post questions (and answers!) related to the course material on the Discussion 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.
FURTHER INFORMATION

Privacy Notice
The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor’s terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit ‘content’ to a database, such as an assignment or short answers, the database licensor may only use the student’s ‘content’ in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor’s terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

Support for Students
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife/.

RSE has a Frequently Asked Questions page where you can find relevant policies and information on a broad range of topics, the onus is on the student to familiarise themselves with this page and the information available.
https://www.rse.anu.edu.au/students/students/frequently-asked-questions/

Building Access Hours
Both CBE and HW ARNDT buildings:
- TEACHING PERIOD: Mon-Fri 07.45 to 21.15 and SAT, SUN and Public Holidays is not accessible by students.
- NON TEACHING PERIOD: Mon-Fri 08.00 to 18.00 and SAT, SUN and Public Holidays is not accessible by students.

RSE has a Frequently Asked Questions page where you can find relevant policies and information on a broad range of topics
https://www.rse.anu.edu.au/students/frequently-asked-questions/