

# ECON8001

## Topics in Macroeconomics

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<b>Prerequisites</b>	To enrol in this course you must have completed <a href="#">ECON8022</a> Macroeconomic Theory.
<b>Incompatible Courses</b>	Incompatible with <a href="#">ECON4401</a> .
<b>Course Convener &amp; Lecturer:</b>	<b>Professor Markus Brueckner</b>
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Phone:	
Email:	<a href="mailto:markus.brueckner@anu.edu.au">markus.brueckner@anu.edu.au</a>
Office hours for student consultation:	
Research Interests	
RSE Student Office Contact	Nicole Millar
Phone:	02 612 50384
Email:	<a href="mailto:enquiries.rse@anu.edu.au">enquiries.rse@anu.edu.au</a>
RSE Students Webpage	<a href="https://www.rse.anu.edu.au/students/">https://www.rse.anu.edu.au/students/</a>
<b>Tutor(s) (optional)</b>	

Autumn Session, 2018

<http://programsandcourses.anu.edu.au/course/ECON8001>

## **COURSE OVERVIEW**

### **Course Description (optional)**

This is an empirically oriented, graduate course. The first six lectures will provide an introduction to the topic; lectures 7 to 12 will be advanced in nature.

The introductory lectures will be organized as follows. The first lecture will provide a definition of what natural resources are. Next we will discuss the specific nature of commodity markets. Resource diversification will be addressed in a subsequent lecture. Lecture 4 will contain a study of fiscal frameworks for resource-rich economies. That lecture will be followed by a lecture on monetary and exchange rate regimes, which will then lead to a discussion of macroeconomic policies to deal with resource flows. Lecture 6 will discuss energy subsidies and transparency initiatives in the management of natural resources.

The second half of the course is designed to develop and fine-tune graduate students' understanding of how to examine causes of uneven patterns of economic growth with macroeconomic data, with a specific focus on natural resources. I will spend one lecture discussing issues pertaining to causal identification with macroeconomic data, in particular instrumental variables estimation; this is to make sure that we are all on the same page. The subsequent lecture will review the neoclassical growth model and empirical tests of that model. After that, the following four lectures will be very specialized and advanced in nature with regard to modelling techniques. In particular...

- The first advanced lecture will examine effects of international commodity price windfalls on external debt and net foreign assets. It will be shown that the effect of commodity price windfalls on external debt and net foreign assets depends on the political institutions of a country. In autocracies commodity price windfalls tend to increase government consumption but have no effect on external debt. In democracies, there exists a counter-cyclical relationship between external debt and commodity price windfalls. A counter-cyclical relationship is what standard intertemporal models of the current account predict; however, an acyclical relationship in autocracies requires a macroeconomic model of a non-representative agent. This lecture stresses the role that institutions play for the relationship between resource wealth and key macroeconomic variables.
- The second advanced lecture will examine effects of natural resource wealth on institutions. Students will learn key insights from the Modernization Hypothesis: resource wealth, if invested in education of a country's population, will lead to a larger middle class and consequently promote a stronger democratic system. Transitions from autocracy to democracy will be studied. Students will learn about the impact that natural resource wealth has on the likelihood of democratic transitions. The effects of natural resource wealth on political institutions will be contrasted with the effects of transitory income shocks. A key insight that students will gain from the lecture is that commodity windfalls need to be managed in such a way that there is a long-lasting positive effect on GDP per capita; in that case commodity windfalls promote democracy.
- The third advanced lecture will examine the relationship between natural resource wealth and the risk of civil war. Civil wars are a major stumbling block for economic development. Theories of economic determinants of civil wars will be covered with specific focus on the role of natural resource wealth. The lecture will highlight the importance of distinguishing between agricultural (labor-intensive) and mineral and fuel commodities (capital-intensive); price shocks will be distinguished from resource discoveries and production. The lecture will critically analyse the role of institutions in determining the relationship between resource wealth and civil war. The role of Extractive Industries Transparency Initiative (EITI); membership in the International Council on Mining and Metals (ICMM) – a network of companies promoting Corporate Social Responsibility; and state vs. private ownership of

mining companies will be analysed.

- The advanced fourth lecture will examine the macroeconomic effects of natural resource discoveries. The lecture will show, based on recent empirical and theoretical research, that the macroeconomic effects of discoveries differ from that of production, in particular, for domestic saving and the current account. Effects on employment and investment will be studied. Net present value calculations will be carried out as an application. Results will be shown for sub-Saharan African countries and for a worldwide sample of countries. The role of financial development in shaping the macroeconomic effects of resource discoveries will be emphasized. In this lecture students will gain frontier knowledge of macroeconomic modelling and empirical analysis of resource discoveries.

### **Learning Outcomes**

Upon a successful completion of this course, students should be able to understand macroeconomic policy issues associated with natural resources.

### **Assessment Summary**

Students will be assessed based on one final exam that will cover all 12 lectures.

<b>Assessment Task</b>	<b>Value</b>	<b>Due Date</b>	<b>Date for Return of Assessment</b>	<b>Linked Learning Outcomes (optional)</b>
<b>1. Final Exam</b>	<b>% 100</b>	<b>13 July 2018</b>	<b>18 July 2018</b>	

### **Research-Led Teaching**

The course covers concepts, methodologies and techniques that form the foundation of modern research in the field of macroeconomics.

### **Feedback**

#### **Staff Feedback**

Students will be given feedback in the forms of verbal feedback during and after 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, 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/>

### **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 Rules 2014](#) before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework)
- Student Surveys and Evaluations

### **Required Resources**

**None.**

### **Field trips (optional)**

**None..**

### **Additional course costs**

**None**

### **Examination material or equipment**

**None.**

### **Recommended Resources**

## **COURSE SCHEDULE**

<b>Lecture</b>	<b>Summary of Lecture</b>
1	Natural resources: basic definitions and stylized facts
2	Commodity markets
3	Diversification
4	Fiscal frameworks
5	Monetary and exchange rate regimes
6	Subsidies and transparency initiatives
7	Causal identification with macroeconomic data
8	Neoclassical growth model and empirical tests
9	Commodity price shocks and external debt
10	Commodity price shocks and institutions
11	Commodity price shocks and civil war
12	Resources discoveries and their macroeconomic effects

## **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.

## **Assessment Tasks**

### **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.

### **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/>

### **Other Information**

Building Access Hours

Both CBE and HW ARNDT are:

TEACHING PERIOD = Mon – Fri 07.45 to 21.15 and SAT, SUN and Public Holidays is not accessible by students.

Both CBE and HW ARNDT are:

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, 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/>