

## ECON 1102

# Macroeconomics 1

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<b>Mode of Delivery</b>	On campus, in person
<b>Prerequisites</b>	As listed in <i>Programs and Courses</i>
<b>Incompatible Courses</b>	Incompatible with ECON1102
<b>Co-taught Courses</b>	N/A
<b>Course Convener and Lecturer/Tutor:</b>	Dr. Timo Henckel
	
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Lecture times:	Tuesdays, 3-5pm, and Fridays 2-3pm
Tutorial times:	TBA
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Research Interests	Macroeconomics, Monetary economics, International finance, Behavioural economics
RSE Student Office Contact	Nicole Millar
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RSE Students Webpage	<a href="http://www.rse.anu.edu.au/students">www.rse.anu.edu.au/students</a>

## 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 differences and relationship between macroeconomic theory and microeconomic theory;
- Describe the main policy instruments used to mitigate and manage business cycles, especially recession and boom;
- 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;
- Understand the relationship between the real and financial sectors of the economy especially as they pertain to business cycles;
- 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

Details about assessment may change during the first two weeks of semester. If there are any changes to the assessment schedule these will be posted in Wattle.

Assessment Task	Description	Value	Due Date	Date for Return of Assessment
2 Assignments	Take-home tasks to be handed in writing, involving problem-solving questions and modelling exercises	15% for first assignment, 15% for second assignment, both compulsory & non-redeemable	TBA, probably Week 4 and Week 10	ASAP
Mid-semester exam	120 minutes with 15 minutes reading time	25%, optional & redeemable	Week 6	ASAP
Final exam	150 minutes with 30 minutes reading time	45%, compulsory & non-redeemable	Final examination period	ASAP

### **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.

### **Workload**

Students taking this course are expected to commit *at least* 11 hours a week to completing the work. This will include:

- 3 hours a week: lecture
- hour a week: tutorial
- *At least* 7 hours a week: reading, research, writing, lecture and tutorial preparation

### **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

**Attendance requirements**

There are no marks allocated for attendance but participation in lectures and tutorials is encouraged. As noted above, students are expected to prepare for lectures and tutorials in advance.

**Tutorial registration**

Enrolment in tutorials will be completed online using the Electronic Teaching Assistant (ETA) after the first lecture. More information will be available in Wattle.

**Recommended Resources**

The following textbooks will form the basis for much of this course:

- Hubbard, R. Glenn, Anne M. Garnett, Philip Lewis, and Anthony O'Brien, *Macroeconomics, 4<sup>th</sup> edition*, Melbourne: Pearson, 2018
- CORE, *The Economy 1.0*, available at <http://www.core-econ.org/>.

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

You should be able to obtain a copy of Hubbard et al., through the ANU Coop bookshop. Alternatively, order a copy through [www.amazon.com](http://www.amazon.com) or [www.bookdepository.com](http://www.bookdepository.com). The CORE book is available for free at the above website.

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

**Other Resources**

Other useful texts for the course include:

- Bernanke, Ben, Nilss Olekalns and Robert Frank, *Principles of Macroeconomics*, 2<sup>nd</sup> edition, Sydney: McGraw Hill, 2011.
- Colander, David, *Macroeconomics*, 8<sup>th</sup> edition, New York: MacGraw-Whill, 2009.
- Mishkin, Frederic S. *Macroeconomics: Policy and Practice*, New York: Pearson, 2012.
- Stonecash, Robin, Joshua Gans, Stephen King, and N. Gregory Mankiw *Principles of Macroeconomics*, 5<sup>th</sup> edition, Melbourne: Cengage Learning, 2012.

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

Week/ Session	Summary of Activities	Assessment
1	Introduction (Chs 1, 2 & 3)	
2	Measuring the Economy (Ch 4)	
3	Economic Growth (Chs 5 & 6)	
4	The Labour Market (Ch 7)	Assignment 1
5	Inflation and Finance (Ch 8)	
6	The Short-Run Model of the Economy (Chs 9)	Midsemester Exam
7	AS and AD Analysis (Ch 10)	
8	Different Schools of Thought (Ch 10 Appendix)	
9	Monetary Policy (Chs 11 & 12)	
10	Fiscal Policy (Ch 13)	Assignment 2
11	Open Economy Macroeconomics (Ch 14)	
12	Miscellanea and Behavioural Macroeconomics	
	Examination period	Final Exam

Unless otherwise specified, chapter numbers refer to the Hubbard et al. 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.

The two take-home assignment will need to be submitted by electronically through Turnitin as well as in hardcopy using the assignment boxes at level 1 of the Arndt Building. Exact submission times will be announced on Wattle. Email and fax submissions are not acceptable.

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 most likely 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. It will probably 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. *Extensions are only granted for compelling reasons. Other work commitments normally do not fall into this category.*

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 = 80+) are rare; they are evidence of *outstanding, that is exceptional*, academic achievement. Although this may vary from year to year as we do not grade to a curve, a good guideline is that 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 ECON1102. 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 class mates. 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-askedquestions/>

### **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/>