

## ECON 3102

# Macroeconomics 3

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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 ECON8026
<b>Co-taught Courses</b>	N/A
<b>Course Convener and Lecturer/Tutor:</b>	Dr. Timo Henckel
	
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Lecture times:	Wed 10am-12pm & Thu 9-10am
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

This course extends and reinforces the material developed in Macroeconomics 2 by analysing a number of policy issues in macroeconomics. Its objective is to show how practical problems can be structured and analysed using macroeconomic models and appropriate data. Most of the applications will be drawn from contemporary and historical Australian and international experience. Topics to be discussed include measurement and interpretation of macroeconomic aggregates; impact of the world economy on short-run fluctuations in Australia; determinants of economic growth and foreign debt; assessment of the impact of fiscal policy; inflation targets and monetary policy; and the persistence of unemployment.

### Learning Outcomes

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

1. be able to use macroeconomic models to examine and understand recent major economic events in the Australian economy;
2. understand how to use different macroeconomic models to evaluate macroeconomic activity;
3. be familiar with the main computational models used in Australia to forecast economic activity, and how they are used to evaluate policy proposals;
4. know how to report macroeconomic policy analysis in a coherent way with clear explanations of the economic intuition.

### Assessment Summary

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%, compulsory & redeemable	Week 7	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.

## **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

### **Required Resources**

Students should obtain a copy of the following textbook which forms the basis for much of this course:

- Carlin, Wendy, and David Soskice, *Macroeconomics: Institutions, Instability, and the Financial System*, Oxford: Oxford University Press, 2015.

You should be able to obtain a copy 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). Do not confuse this book with the authors' 2005 textbook *Macroeconomics: Imperfections, Institutions, and Policies*, also from Oxford University Press.

**Recommended Resources**

Other possible texts for the course, of varying degree of difficulty and relevance, include:

- Carlin, Wendy, and David Soskice, *Macroeconomics: Imperfections, Institutions, and Policy*, Oxford: Oxford University Press, 2005.
- Williamson, Stephen D., *Macroeconomics* 5<sup>th</sup> edition, New York: Pearson, 2014.
- Gottfries, Nils, *Macroeconomics*, London: Palgrave Macmillan. 2015.
- Leamer, Edward E., *Macroeconomic Patterns and Stories: A Guide for MBAs*, Berlin: Springer, 2009.
- Montiel, Peter J., *International Macroeconomics*, Chichester: Wiley-Blackwell, 2009.
- Chugh, Sanjay K., *Modern Macroeconomics*, Cambridge: MIT Press, 2015.
- Heijdra, Ben J., *Foundations of Modern Macroeconomics* 2<sup>nd</sup> edition, Oxford: Oxford University Press, 2009.
- Bénassy-Quéré, Agnès, Benoît Cœuré, Pierre Jacquet, and Jean Pisani-Ferry, *Economic Policy: Theory and Practice*, Oxford: Oxford University Press, 2010.
- Godley, Wynne, and Marc Lavoie, *Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth*, London: Palgrave Macmillan, 2007.

If you cannot afford, or do not wish to own, a personal copy of the textbooks, I am trying to ensure 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, etc.)

## COURSE SYLLABUS

<b>Week/ Session</b>	<b>Summary of Activities</b>	<b>Assessment</b>
1	Admin and Review	
2	Introduction and Review of Short-Run (Chs 1 & 2)	
3	3-Equation Model and Policy (Ch 3)	
4	Expectations (Ch 4)	Assignment 1
5	Money, Banking and Finance I (Chs 5 & 6)	
6	Money, Banking and Finance II (Chs 6 & 7)	
7	Exogenous and Endogenous Growth (Ch 8)	Midsemester Exam
8	Open Economy I (Chs 9 & 10)	
9	Open Economy II (Chs 10 & 11)	
10	Overlapping Generations (OLG) Models	Assignment 2
11	Monetary and Fiscal Policy (Chs 13, 14 & 16)	
12	Behavioural Macroeconomics	
	Examination period	Final Exam

Unless otherwise specified, chapter numbers refer to the Carlin & Soskice 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 very ambitious and indicative only. Depending on how the course progresses, the weighting of some topics may change and some topics may be dropped or altered.

## 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 be held in week 7.

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 ECON3102. 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, please contact me.

I am there to help you. However, I am a busy person and I also have a private life. It is unreasonable for you to expect me to be on call 24/7.

I have office hours. Take advantage of them. If you need to see me outside my office hour, please arrange a time beforehand, preferably by email. Please do not show up at my office outside office hours unannounced.

As a general rule, 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.

## 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.

For this course, given its pace and demanding nature, **you must read the relevant textbook sections prior to attending the lecture**. You will be told prior to the lectures which sections will be covered. I will assume that everyone has read the textbook sections as I will not cover all relevant material in the lectures. I will use the lectures to focus on key issues and particularly challenging concepts.

Although timetabling has reserved three contact hours per week for lectures, the two-hour sessions on Fridays are the primary lecture times. The Tuesday lecture is an “overflow” lecture that I will use as required. I expect to use approx. 6 or 7 of the Tuesday lectures. I will let you know in advance if and when we meet on Tuesdays. Make sure you are always available for the Tuesday and Friday lectures.

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 Carlin & Soskice textbook points you to additional study aides which you should definitely take advantage of. They will help you understand and remember the material.

### **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 licensor's 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/>