



UNIVERSITY
OF TASMANIA

School of Economics

Faculty of Commerce

BEA320

Macroeconomic Theory & Policy

Semester 2, 2003

Unit Outline

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CRICOS Provider Code: 00586B

Contact details

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Unit details

Campus & Mode: Hobart, Web CT Supported
Unit Weight: 12.5%
Teaching Staff: Dr Arusha Corray

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Unit description

This unit presents students with an advanced undergraduate level treatment of macro economic theory and policy. It builds upon both formulations of both macro and microeconomics and quantitative methods. This unit is in the compulsory core of the Analytical Economics Major in the BEc and may be taken as an elective in any BEc programme.

Aim

The unit covers several competing theoretical perspectives; Neo Classical, Keynesian, New-Classical, New-Keynesian, each of which offers a plausible explanation of macroeconomic phenomena. Emphasis is given to the Neo-Classical model. The links between macroeconomic theory and policy are also examined.

The unit provides a rigorous analysis of macroeconomic theory, which will help students to understand why each school of thought offers different answers to the same economic questions. It will further enable students to evaluate data and apply macroeconomic principles to policy issues.

This unit would come in useful to students who wish to pursue their studies including those who wish to establish careers in banking, teaching, policy making, management, politics.

Learning outcomes

On completion of this unit, you should be able to:

- gain an understanding of the general equilibrium approach to modeling the macroeconomy, the determinants of long run growth, the general equilibrium approach to modeling business cycles, fiscal and monetary policy in the general equilibrium model, rational expectations and the open economy.
- evaluate macroeconomic data
- relate theory to policy issues

Generic graduate attributes

This unit will contribute to developing the following generic attributes in University of Tasmania graduates.

- solving macroeconomic problems
- an ability to collect and evaluate data
- an ability to run a regression of a macroeocnometric model

Assumed skills

- basic knowledge of calculus and regression analysis
- basic literacy standards in the English language
- knowledge of the IS-LM model

Pre-requisites units

BEA200 Intermediate Microeconomics

BEA220 Intermediate Macroeconomics

BEA240 Quantitative Methods 2

Texts, references and learning resources

Prescribed text(s)

The textbook for this unit is;

- Barro Robert (1998), *Macroeconomics*, MIT Press, Cambridge:MA, Fifth Edition

(This text gives increased emphasis to the market clearing approach)

Recommended readings

The assigned readings for each topic are given below. It is useful to consult more than one textbook because one book does not always provide sufficient coverage. Useful reference books are (you are not expected to purchase these text-books):

- Blanchard O (2003), *Macroeconomics*, Prentice Hall, Third Edition

(This text makes extensive use of case studies)

- Jones Charles I (2002) *Introduction to Economic Growth*, W W Norton & Company NY, Second Edition

(This text provides a comprehensive analysis of economic growth)

- Sachs J D and Larrain F B (1993) *Macroeconomics in the Global Economy*, Harvester Wheatsheaf

(This text emphasizes the role of expectations, inter-temporal choice and the implications of time consistency)

- Wells Graeme (1995) *Macroeconomics*, Thomas Nelson Australia

(This textbook draws on macroeconomic issues in Australia and New Zealand)

Texts on the Australian Macroeconomy:

- Gruen D and Shrestha S Eds. (2000) *The Australian Economy in the 1990s*, Reserve Bank of Australia, Sydney
- Kriesler P Ed. (1999) *The Australian Economy 3*, Allen Unwin, Sydney
- Argy V (1992) *Australian Macroeconomic Policy in a Changing World Environment*, Allen Unwin, Sydney
- Grenville S (1990) *The Australian Macroeconomy in the 1980s*, Reserve Bank of Australia, Sydney

Learning resources

DATA SOURCES:

For Australian data:

- The Australian Bureau of Statistics <http://www.abs.gov.au/austats/>
- The Reserve Bank of Australia <http://www.rba.gov.au/statistics/>
- The Treasury <http://www.treasury.gov.au/budget/>

Data relating to other countries:

- The IMF's IFS database on CD-ROM. A temporary account on the IMF's website can be setup up for two months, <http://www.ifs.apdi.net/inf/trialaccpimt.asp/>
- Penn World Tables <http://cansim.epas.utoronto.ca:5680/pwt/pwt.html> and <http://www.economagic.com>

Other Useful Links:

- Bill Geoffe's Resources for Economists <http://rfe.org>
- Inomics <http://www.inomics.com>
- National Bureau of Economic Research <http://www.nber.org>
- Econlit <http://www.econlit.org>
- RBA publications and research <http://www.rba.gov.au/publications> and research
- The Economist <http://www.economist.com>

Teaching arrangements

Lectures

There will be 13 two hour lectures. Lectures will be held on Tuesday from 1.10pm to 3.00pm in Commerce Lecture Theatre 3.

Workshops

Workshops will be held on Tuesday at 11.00am to 11.50am in Commerce Lecture Theatre 3. Workshops start in week 15.

The week prior to each workshop, journal articles will be placed on the Reserve section of the library which will be discussed at the workshop. Students **MUST** read the articles before attending the workshops to engage in the discussion. These papers illustrate how macroeconomic issues can be examined from different points of view which have different policy implications. These papers will help students to understand better the broad range of theoretical issues underlying real world conditions. Questions on the topic covered in the week before during lectures will also be discussed at the workshops to improve the understanding of the work covered in class.

Occupational health and safety (OH&S)

The University is committed to providing a safe and secure teaching and learning environment. In addition to specific requirements of this unit you should refer to the University's policy at: http://www.admin.utas.edu.au/hr/ohs/pol_proc/ohs.pdf

Unit schedule

Week	Week beginning	Topic	Readings/ Resources
14	Mon 14 th July	An Introduction to Macroeconomic Models and Paradigms	Wells Graeme (1995), <i>Macroeconomics</i> , Thomas Nelson Australia – Ch 1 Symposium on the Great Depression (1993) <i>Journal of Economic Perspectives</i> , Spring issue
15, 16	Mon 21 st July and Mon 28 th July	Economic Growth The Solow Growth Model Technology and the Solow Model Endogenous Growth Theory	Jones Charles I (2002), <i>Introduction to Economic Growth</i> , WW Norton & Company NY, Chs 1-2 and Ch 8 Easterly W, Kremer M, Pritchett L and Summers L (1993), "Good Policy or Good Luck? Country Growth Performance and Temporary Shocks", <i>Journal of Monetary Economics</i> , 32, 459-483
17	Mon 4 th August	Unemployment Minimum Wage Laws Unions Efficiency Wages	Barro BJ (1997), <i>Macroeconomics</i> , MIT Press, Ch 10 Yellen Janet (1984), "Efficiency Wage Models of Unemployment, <i>American Economic Review Papers and Proceedings</i> , 200-205
18	Mon 11 th Aug	Money, Interest Rates and Inflation The Quantity Theory of Money Seigniorage The Fisher Effect	Barro RJ (1997), Chs 7 & 8 Fischer Stanley (1982), "Seigniorage and the Case for a National Currency", <i>Journal of Political Economy</i> , 90, 295-313
19	Mon 18 th Aug	Economic Fluctuations The Keynesian Model of Aggregate Demand Aggregate Supply The Phillips Curve	Bernanke B (1983), "Non Monetary Effects of the Financial Crisis in the Propagation of the Great Depression", <i>American Economic Review</i> , 73, 257-276 Ball Laurence (1994), "What Determines the Sacrifice Ratio?", in N Gregory Mankiw (ed), <i>Monetary Policy</i> , Chicago University Press, Chicago Barro RJ, Chs 18 – 20
20	Mon 25 th Aug	The Open Economy The Mundell-Flemming Model Exchange Rate Regimes	Fischer Stanley (2001), "Exchange Rate Regimes: Is the Bipolar View Correct?", <i>Journal of Economic Perspectives</i> , 15(2), Spring Issue, 3 –24 Barro RJ, Chs 15 – 16

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Week	Week beginning	Topic	Readings/ Resources
21	Mon 1 st Sept	Macroeconomic Policy Monetary Policy Fiscal Policy	Bernake Ben and F Mishkin (1997), "Inflation Targeting: A New Framework for Monetary Policy", <i>Journal of Economic Perspectives</i> , Spring Eisner Robert (1989), "Budget Deficits: Rhetoric and Reality", <i>Journal of Economic Perspectives</i> , 3(2), Spring Issue, 73-93, Issue 97-116 Barro RJ, Chs 12 – 14
22	Mon 8 th Sept	Micro Foundations of Macroeconomics Consumption	Barro RJ, Chs 2 –3
23	Mon 15 th Sept	Investment	Barro RJ, Ch 9
24	Mon 22 nd Sept	Theories of Money Demand Portfolio Theories of Money Demand Transactions Theories of Money Demand	Barro, Chs 4 – 6
AVCC Common Week			
25	Mon 6 th Oct	New Classical, Real Business Cycle and New-Keynesian Models	Plosser Charles (1989), "Understanding Real Business Cycles", <i>Journal of Economic Perspectives</i> , Summer Issue 51-77 Mankiw G (1989), "Real Business Cycles: A New Keynesian Perspective", <i>Journal of Economic Perspectives</i> , Summer Issue 79-90 Barro, Ch 10
26	Mon 13 th Oct	Review	
Study Period : 20th to 24th October			
Exams Begin : Saturday 25th October to Tuesday 11th November			

Learning expectations and strategies

Expectations

The University is committed to high standards of professional conduct in all activities, and holds its commitment and responsibilities to its students as being of paramount importance. Likewise, it holds expectations about the responsibilities students have as they pursue their studies within the special environment the University offers.

The University's Code of Conduct for Teaching and Learning states:

Students are expected to participate actively and positively in the teaching/learning environment. They must attend classes when and as required, strive to maintain steady progress within the subject or unit framework, comply with workload expectations, and submit required work on time.

Learning strategies

If you need assistance in preparing for study please refer to your tutor or lecturer. For additional information refer to the Learning Development website : <http://www.utas.edu.au/learndev/>

If you will be using WebCT for the first time and would like some information on how to use WebCT refer to the following guide: http://www.utas.edu.au/coursesonline/docs/using_webct.pdf

Some of the units you will study use video conferencing to deliver lectures and tutorials. To enable you to get the best out of a video conference please refer to the following guide. <http://www.its.utas.edu.au/videoconf/vcstudentguide.pdf>

Assessment

- **Sixty percent** of the weight in the final mark for this unit is allocated to a 2-hour end-of-semester examination.
- **Twenty percent** of the weight in the final mark for this unit is allocated to a one-hour mid-semester test. The mid session test will be held in week 20. It will cover the work from week 1-6 inclusive.
- **Twenty percent** of the weight in the final mark for this unit is allocated to an assignment. This will involve running a regression of a macroeconomic model you have studied. The assignment will help you to develop your research skills. You will need to become adept at finding data, running regressions and interpreting results. Assignments need to be typewritten. The topic will be given to you in class. Data sources are provided under 'Learning Resources' heading in this unit outline.

Assessment summary

Component	Weight/Value	Due date
Mid Semester Test (1 hour)	20%	Week 20
Assignment	20%	Week 25 Tue 7 th by 4:00 pm
Final exam (2 Hours)	60%	Examination Period
	100%	

Submission of assignments

All work must have the School of Economics Assignment Cover Sheet attached. The cover sheet will be available on the unit page on WebCT.

Please remember that you are responsible for lodging your written work on or before the due date. We suggest that you keep a copy – photocopying is ideal. Even in the most 'perfect' of systems, items sometimes go astray. Lodge your assignments in the box marked BEA320 on Level 4, Foyer Area, Commerce Building. Work will be returned during classes. Uncollected assignments will be available from the Secretary's office, Room 407.

Requests for extensions

Extensions will only be granted on the basis of consultation with your lecturer before the due date. If you are ill, please provide a medical certificate so that this can be noted. If you are unable to attend the mid-semester test due to circumstances beyond your control, please inform your lecturer or the School Secretary before the test date.

Access to WebCT

The WebCT entry page is at <http://webct.utas.edu.au:8900/>. Click 'Log on to myWebCT' and enter the same username and password that you use for your University email account. Your personal WebCT page will appear, with the units in which you are enrolled listed at the top left of the screen. Click on the 'BEA320 Macroeconomic Theory and Policy' link to gain access to the home page for this unit. Details about WebCT features are available on <http://www.webct.com/quickstart>. If you run into problems with WebCT, contact the Help Desk on Telephone: 6324 3888, or Email: HelpDesk@weboffice.utas.edu.au.

Penalties

Late submission of assignments and other forms of assessment will incur a penalty of:

1 – business day late	=	10% penalty
2 – 5 business days late	=	25% penalty
More than 5 business days	=	100% penalty

Academic referencing

Student writers need to back up their ideas by referring to scholarly literature, works of art and inventions that they have used. Failure to do so constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence. It is important that students understand how to correctly refer to the work of others and maintain academic integrity.

The appropriate referencing style for this unit is

Baumol, William (1986), "Productivity Growth, Convergence and Welfare", *American Economic Review*, vol. 76, pp. 1072-85.

Maddison, Angus (1970), *Economic Progress and Policy in Developing Countries*, London, Allen and Unwin.

For information on presentation of assignments :

<http://www.utas.edu.au/library/assist/gpoa/gpoa.html>

Please read the following statement on plagiarism. Should you require clarification please see your unit coordinator or lecturer.

Plagiarism

Plagiarism is a form of cheating. It is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example, using an author's words without putting them in quotation marks and citing the source, using an author's ideas without proper acknowledgment and citation or copying another student's work.

In fact the intentional copying and submission of someone else's work as one's own is a serious offence tantamount to academic fraud. It is a University offence punishable by a range of penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, exclusion from a unit, a course, or the University. **When in doubt consult your lecturer or tutor.** Details of penalties that can be imposed are available in the Ordinance of Student Discipline or at: www.utas.edu.au/plagiarism

Useful resources on academic integrity, including what it is and how to maintain it, are also available at http://www.utas.edu.au/tl/academic_integrity/index.html

Additional assistance

If you are experiencing difficulties with your studies or assignments, have personal or life planning issues, disability or illness which may affect your course of study, you should raise these with your lecturer.

Student Services staff are located in Hobart, Launceston and Burnie and provide a wide range of services to assist students, they include:

- Student Counsellor
- Careers Adviser
- Disability Adviser
- Student Employment Service.

Or visit the Student Services website at :
<http://student.admin.utas.edu.au/services/>

Should you require assistance in accessing the Library visit their website for more information at <http://www.utas.edu.au/library/>

Your contact Librarian for this unit is :

Heather Mitchell (ext 2306)

International Services website provides information on the assistance available to international students, visit their site at :
<http://www.international.utas.edu.au/index.html>

The Learning Development website has a wide range of resources on study skills and learning strategies, visit their site at : <http://www.utas.edu.au/learndev/>

Help resolving concerns about this unit

If you have any concerns or complaints with the administration and/or management in this unit or your BEc course of either a general or personal nature, then you should in the first instance discuss the matter with your lecturer. If you feel that you would rather discuss the issue with an independent person within the School of Economics, then contact the Ombusperson:

Dr Sarah Jennings
School of Economics
Room 413
email sarah.jennings@utas.edu.au

If the matter is still unresolved and you would like to know who to contact or the procedures for resolving your concern refer to the following website :
<http://student.admin.utas.edu.au/services/complaints/index.html>

The Hobart based Tasmanian University Union (TUU) or the Launceston/Burnie based Student Association (SA) may also be able to assist.

Unit feedback

The University of Tasmania, on a regular basis, evaluates its teaching and learning environment through the Student Evaluation of Teaching and Learning (SETL) system. The University values feedback from students and from time to time you will be asked to complete a SETL evaluation for a unit of study. For more information on SETL go to :

<http://student.admin.utas.edu.au/setl/index.html>