FACULTY OF COMMERCE

SCHOOL OF ECONOMICS
HTTP://WWW.UOW.EDU/COMMERCE/ECON

ECON205  MACROECONOMIC THEORY AND POLICY  6 CP

Prerequisite:  ECON101 Macroeconomic Essentials for Business

Web VISTA Site (ECON205_S107)  http://www.uow.edu.au/student/lol

AUTUMN  2007   WOLLONGONG CAMPUS

Subject Coordinator, Lecturer and Tutor

ASSOC. PROFESSOR ED WILSON (WEEKS 1-7)

School of Economics

Room:  40.212   Ph:  42213663   email:  edgar_wilson@uow.edu.au
Consultation:  Wednesday Thursday Time: 11am – 1pm 2pm – 4pm

Lecturer and Tutor

DR KHORSHED CHOWDHURY (WEEKS 8-13)

School of Economics

Room:  40.214   Ph:  42214024   email:  khorsheed_chowdhury@uow.edu.au
Consultation:  Monday Wednesday Time: 10:30am – 12:30pm 9:30am – 11:30am
## LECTURE TIMES

Lectures will be held on Wednesday 4.30 – 6.30pm 20.2

## LECTURE PROGRAM

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics Covered</th>
<th>Readings</th>
</tr>
</thead>
</table>
| 1    | Emergency Evacuation Procedures  
      Introduction and National Income Accounting  
      Economic Growth | Dornbusch, et. al., 2003, 
      *Macroeconomics*, Chapters 1, 2  
      Dornbusch, et. al., op. cit., Chapter 3 |
| 2    | Economic Growth | Dornbusch, et. al., op. cit., Chapter 3 |
| 3    | Economic Growth | Dornbusch, et. al., op. cit., Chapter 4 |
| 4    | Changes in Real Output and Prices | Dornbusch, et. al., op. cit., Chapters 5 and 6 |
| 5    | Changes in Real Output and Prices | Dornbusch, et. al., op. cit., Chapter 6 |
| 6    | Big Issues – Inflation and Unemployment | Dornbusch, et. al., op. cit., Chapters 17 and 18 |
| 7    | Mid-session Test | |
| 8    | Aggregate Demand and Equilibrium Income and Output | Dornbusch, et. al., op. cit., Chapter 7 |
| 9    | Demand Side Equilibrium: Money Interest and Income | Dornbusch, et. al., op. cit., Chapters 8, 9 |
| 10   | Demand Side Equilibrium: Money Interest and Income  
      Open Economy Macroeconomics | Dornbusch, et. al., op. cit., Chapters 9, 10 |
| 11   | Open Economy Macroeconomics | Dornbusch, et. al., op. cit., Chapters 10, 11 |
| 12   | Behavioural foundations | Dornbusch, et. al., op. cit., Chapters 12, 13 |
| 13   | Behavioural foundations | Dornbusch, et. al., op. cit., Chapters 14, 15 |
### TUTORIAL TIMES

Tutorials will be held on (depending on number of enrolments)

<table>
<thead>
<tr>
<th>Day</th>
<th>Time</th>
<th>Room</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday</td>
<td>2:30–3:30</td>
<td>Room 67.201</td>
</tr>
<tr>
<td></td>
<td>3:30–4:30</td>
<td>Room 19.020</td>
</tr>
<tr>
<td>Thursday</td>
<td>5:30–6:30</td>
<td>Room 40.126</td>
</tr>
</tbody>
</table>

### TUTORIAL PROGRAM

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic Covered</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Week 1 NO TUTORIALS</td>
<td>Dornbusch et. al., op. cit.</td>
</tr>
</tbody>
</table>
| 2    | Week 2 NATIONAL INCOME ACCOUNTING AND ECONOMIC GROWTH | Dornbusch et. al. Ch 2  
• Conceptual Problems 5 and 7  
• Technical Problems 2, 4 and 7 |
| 3    | Week 3 ECONOMIC GROWTH                      | Dornbusch et. al. Ch 3  
• Conceptual Problems 3, 4 and 5  
• Technical Problems 1 and 3    |
| 4    | Week 4 ECONOMIC GROWTH                      | Dornbusch et. al. Ch 4  
• Conceptual Problems 3, 4 and 7  
• Technical Problems 1 and 4 (optional) |
| 5    | Week 5 CHANGES IN REAL OUTPUT AND PRICES    | Dornbusch et. al. Ch 5  
• Conceptual Problem 3  
• Technical Problem 1    |
|      |                                             | Dornbusch et. al. Ch 6  
• Conceptual Problems 1 and 6 |
| 6    | Week 6 CHANGES IN REAL OUTPUT AND PRICES    | Dornbusch et. al. Ch 6  
• Technical Problems 1 and 4    |
|      |                                             | Dornbusch et. al. Ch 17  
• Conceptual Problems 5 and 9 |
|      |                                             | Dornbusch et. al. Ch 18  
• Conceptual Problem 2    |
| 7    | Week 7 NO TUTORIALS                        |                                 |
| 8    | Week 8 MID-SESSION TEST REVIEW              |                                 |
| 9    | Week 9 AGGREGATE DEMAND AND EQUILIBRIUM INCOME AND OUTPUT | Dornbusch et. al. Ch 7  
• TBA    |
| 10   | Week 10 DEMAND SIDE EQUILIBRIUM: MONEY INTEREST AND INCOME | Dornbusch et. al. Ch 8  
• TBA    |
|      |                                             | Dornbusch et. al. Ch 9  
• TBA    |
| 11   | Week 11 DEMAND SIDE EQUILIBRIUM: MONEY      | Dornbusch et. al. Ch 9    |
BRIEF OUTLINE

The subject analyses the major factors which determine economic behaviour in the aggregate and evaluates how alternative macroeconomic policies may improve economic performance. In doing so, the subject examines the supply side of the economy starting with the analysis of the determinants of economic growth. Aggregate supply equilibrium is then examined in terms of wages and prices and the problems of inflation and employment. The major determinants of aggregate demand equilibrium, namely consumption and investment demands, international factors, money and interest are considered in detail. Monetary and fiscal policies are examined in order to determine the effectiveness of these policies in an open economy.

STUDENT LEARNING OUTCOMES

Upon successful completion of this subject, students will be able to identify the important determinants of real output, interest rates, exchange rates, prices and employment for a small open economy. Students should be able to understand and apply these macroeconomic techniques to consider some real world occurrences and to suggest appropriate macroeconomic policies. In addition to the development of relevant discipline knowledge, the activities included in this subject are designed to develop independent learning skills, communication skills, information literacies, and the ability to analyse and solve problems. Students will be required to demonstrate their ability to synthesise and critically evaluate information, reason logically, analyse and solve problems, use mathematical ideas and techniques where appropriate, and to plan and organise their time.

ATTENDANCE REQUIREMENTS

In order to maximise learning outcomes, it is strongly recommended that students attend all lectures and tutorials. Tutorials are not to be regarded as sessions in which answers to the questions are merely supplied to students. Students are expected to attend tutorials having done the background readings beforehand, be fully prepared and to contribute to tutorial discussions. The achievement of many of the above tertiary literacies is an important aspect of tutorial activities. If after a lecture (and despite preparatory reading) there is something in the lecture you have not understood or which is incomplete in your notes, you should ask the lecturer. If there is something you have not understood during or after a tutorial, then ask the tutor. If the difficulty remains, you should arrange to see the lecturer for a more extended consultation during the consultation times listed above.
**PERFORMANCE LEVEL**

To be eligible to pass this subject, students must achieve an overall mark of at least 45%, and at least 40% on the final examination.

**REQUIRED TEXT(S)**


Website: [http://www.mhhe.com/au/dornbusch2e](http://www.mhhe.com/au/dornbusch2e)


**SECTION B: ASSESSMENT**

**WRITTEN ASSESSMENT**

<table>
<thead>
<tr>
<th>Assessment 1:</th>
<th>Tutorial Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questions</td>
<td>Students will need to answer one question, which will be selected from the assigned tutorial questions for three tutorials. The selected question may vary across tutorials. The test will be held in three tutorials, which will be selected anytime in weeks 3, 4, 6, 9, 10, 12 and 13. Students will have no prior warning of the question selected and when the test will be held. This requires students to prepare answers for all assigned tutorial questions. The test will be closed book and students will not be allowed to copy the answer from notes.</td>
</tr>
<tr>
<td>Submission</td>
<td>The answer will be collected by the tutor during the tutorial in which the test is held. The marked answer will be returned in the next tutorial.</td>
</tr>
<tr>
<td>Marking criteria</td>
<td>Students will be required to write out their answer to the selected question in the selected tutorial. Student’s answers will be assessed according to their demonstrated:</td>
</tr>
<tr>
<td></td>
<td>- understanding of economic concepts</td>
</tr>
<tr>
<td></td>
<td>- ability to explain and apply economic principles</td>
</tr>
<tr>
<td></td>
<td>- capacity to succinctly answer the question</td>
</tr>
<tr>
<td></td>
<td>- ability to argue clearly and logically.</td>
</tr>
<tr>
<td></td>
<td>Students will not be allowed to copy the answer to the question from notes.</td>
</tr>
<tr>
<td>Weighting</td>
<td>20%. The two highest marks will be worth 10% each.</td>
</tr>
<tr>
<td>Dates</td>
<td>The tests will be run during three tutorials anytime in the weeks 3, 4, 6, 9, 10, 12 and 13. There will be no prior notice of when the test will be held and the test may be held at different weeks for different tutorials. There will be no supplementary tests because the two highest marks will be selected.</td>
</tr>
</tbody>
</table>
IN SESSION TEST

<table>
<thead>
<tr>
<th>Weighting</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>4.30pm, Wednesday 18 April (week 7)</td>
</tr>
</tbody>
</table>

The test will be held in the lecture theatre during the lecture time. The test of 45 minutes duration will comprise 30 multiple choice questions. Each question will have five alternatives and all questions will carry equal marks. No marks will be subtracted for an incorrect answer. Material presented in lectures and tutorials in weeks 1 to 6 will be tested.

EXAMINATION

FINAL EXAMINATION

<table>
<thead>
<tr>
<th>Weighting</th>
<th>50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>The final examination will be held during the formal examination period. The date will be confirmed during the course of the subject and published on SOLS 3 to 4 weeks before the examination period.</td>
</tr>
<tr>
<td>Time allowed</td>
<td>2 hours plus 15 minutes reading time</td>
</tr>
<tr>
<td>Structure of paper</td>
<td>Students are required to answer three essay questions. One question is to be attempted from Section A and two questions from Section B. All questions are of equal value.</td>
</tr>
</tbody>
</table>

SCALING

Scaling will not normally be applied and will only be at the direction of the School of Economics Assessment committee.

SUBMISSION, RETENTION AND COLLECTION OF WRITTEN ASSESSMENT

The assignments will be marked and available for collection prior to the study week before the final examination.

A Faculty of Commerce assignment cover sheet should be attached to each piece of written assessment.

This cover sheet can be obtained from the website:

Pages should be securely fastened together. Answers to each Assignment should be as succinctly and clearly presented as possible.

Your answers to each assignment will be put by you into tutor’s box provided in the School of Economics corridor by the due time and date. Please take care to place your answers in the box bearing your tutor’s name. The assignments will be returned in tutorials and answers to the
assignments will be discussed during the tutorial of the week. If you wish to refer to your answers during tutorials (and this is advisable) you should keep a copy of your answers.

Students may, by making a special prior arrangement with the tutor responsible, post their answers so as to arrive by the morning's post of the due date.

All assessed work must represent ORIGINAL work and must not be submitted for more than one subject at the University.

*Presentation:*

The assignment/essay should be typed (double-spaced) or written clearly on one side of the paper only. There must be a margin on the left-hand-side of the page of at least 5cm. This is necessary in order to give the marker space to write comments.

A cover sheet detailing your name, essay title, lecturer's name and tutorial group is necessary. A completed departmental cover sheet must be attached to the front of the essay.

*Citation of References:*

It is essential that all data and information cited and all quotations are fully acknowledged. Quotations should also be placed in inverted commas. Paraphrased information or analysis should be avoided. However where paraphrasing occurs, the source(s) should also fully cited. Students should retain a full copy of essays submitted. There are two major forms of citation. The Harvard system involves brackets or parentheses around (i) author surname, (ii) year, (iii) pages as in [Galbraith, 1969: 128-9]. Full details of this publication are then placed in the bibliography.

The second major form of citation is the traditional style, which uses footnotes or end notes. The footnote should include the following information: name of author, name of publication (underlined), name of the publishers, the place and date of publication and the page on which the quote or data appears. An example would be:


In the case of material cited from journal articles, the name, volume number and the date of the journal must be given as well as the name of the author and article. The title of the journal is italicised and of the article is in inverted commas:


In the case of material in edited monographs the format is:


For an article which has numerous authors, a second and later citing can replace all authors names after the first with et.al. For example:


In case of further references to material which has already been fully cited once in the essay, these references can be made in a shortened form using the Latin abbreviations ibid, op.cit, and loc.cit. Note that these should be italicised. When references to the same work follow each other without any intervening reference, even though the references are separated by several pages, the abbreviation ibid, for the Latin ibiden, "in the same place") is used to repeat the reference. However, if the second reference is on a different page in the same work, the page number should appear:

i.e. ibid, p.68

The terms op.cit., and loc.cit. are used under the following conditions. The author's surname followed by op.cit. is used to refer to a work previously cited, and when ibid, may not be used because references to other works have intervened.
i.e. K. Turabian, op. cit., p. 119.

Loc. cit. is used to repeat exactly the same reference to a book a that last made to it, but when other works have intervened so that ibid, is not appropriate:

i.e. J. Galbraith, loc. cit.

N.B. Footnotes should be numbered and consecutive through the whole essay.

In the case of diagrams or tables presented in the body of the essay students should cite the source of this material directly beneath the diagram or table as follows:


Bibliography:

No matter what form of citation is used, an alphabetically arranged bibliography by author's name should be included at the end of the essay. This must contain full information as to the name of the work, the publishers, and the place and date of publication. This information is presented in the same way as for footnotes, except that the Author's surname comes first.


If a reference used is included in a volume of readings, then the name of the editor of the readings and the title of the collection as well as other information should be given. It is not necessary to list each article separately.


The bibliography should only include works actually used in the preparation of the essay. It is imperative that each source which contributed towards the essay be included in the bibliography. Major references should be marked by asterisks. The bibliography should be on a separate page.

Nature of an Economic Essay:

The essay should be regarded as a miniature research project. For this reason, none of the essay reading lists are exhaustive — most provide a starting point only. You are expected to develop library skills in finding source material.

Essay are expected to be analytical and to present an argument. Regurgitation is not a substitute for analysis. Planning is essential. E.g. what are main sources? What are the main points to be covered? Assess the meaning of key words ("discuss", "significant", "class" etc.). Then, discover the main points of view which exist on the matter, mainly through detailed reading. Then, consider the evidence for and against the various points of view, using notes taken from the reading. Then present your reasoned view, with supporting evidence.

Your essay should have a theme running through it. Draw up a note — outline at first, with major headings for key points arranged in the order you feel brings out your best. There must be a purpose in the order you use. Otherwise you will tend to present a shopping list. Then, fill out these headings, perhaps in note form still, and re-arrange your order of points if necessary.

Logical development is necessary to present an argument.

(a) The beginning states what you take the question to be and defines the key issues. It may point out that there is a debate over the question, along lines that you then indicate, briefly. It does not say what you are firmly of the opinion that X is the case — that comes at the end after you have given your reasons.

(b) The middle sets out the main details of the debate you have referred to.

(c) The end states why you think X is the case, flowing from the evidence you have presented.
Concepts such as "class", "status", "power", "influence" require wariness, for they are not sharp-edged concepts upon which everyone agrees. Meanings change from writer to writer, and often determine a writer's whole argument. Make sure that you clearly show what you mean when using these concepts.

Overstatement or "mediaspeak" is a no-no. The media's attempts to attract attention with overstatement are inappropriate for essays. e.g. a spending reduction becomes a "cut"; or someone who loses a job is "axed"; or "fatal slaying"; and much worse. Mediaspeak is most unique!

People who have particular interest to promote also exaggerate. Those who oppose their interest can become "wreckers", "Communist-dominated", "wicked", "destructive", "dupes". Avoid this, for such statements are often difficult to substantiate. But do not avoid strong statements, as long as you can provide the evidence to support them.

** PENALTIES FOR LATE SUBMISSION OF ASSESSMENT **

Assessed work must be handed in by the date and time given. Assessed work handed in late can be penalised by the deduction (from the mark given to the assessed work) of 5 percentage points per 24 hours of the weekday or part thereof. The operation of this rule will not result in a negative mark being carried forward.

** PLAGIARISM **

Plagiarism means using the ideas of someone else without giving them proper credit. For example, that someone else may be an author, critic, journalist, artist, composer, lecturer, tutor or another student. Unintentional plagiarism can result if you don't understand and use the acceptable scholarly methods of acknowledgement. Whether plagiarism is deliberate or unintentional, the University may impose penalties, which can be very severe. When it is desirable, or necessary, to use other people's material, take care to include appropriate references and attribution. *Plagiarism will not be tolerated and has led to expulsion from the University.*

Students should visit the following University website and become familiar with the University's policy on Plagiarism.

## SECTION C: RULES, CODES OF PRACTICE & POLICIES

### C1 UNIVERSITY POLICIES

Information on the following University Policies can be found at the websites below:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical objection by students to the use of animal and animal products in coursework subjects</td>
<td><a href="http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html">http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html</a></td>
</tr>
</tbody>
</table>

* see brief explanation of policy below.

### C1.1 Non-discriminatory Language

The Faculty of Commerce supports the University’s policy on the use of non-discriminatory language. It is the responsibility of students to ensure that they understand and abide by this policy. The policy is available at:

http://staff.uow.edu.au/eeo/nondiscrimlanguage.html
C1.2 Special Consideration Policy

The Faculty of Commerce recognises that it has a responsibility to ensure equity and consistency across its subjects for all students. Sometimes, in exceptional circumstances, students need to apply for special consideration in order to complete all assessable work.

The University applies strict criteria to the granting of special consideration. Before applying for special consideration students should carefully read the University’s policy. The policy can be found at:


Add any School specific procedures or information here {or delete statement}.

C1.3 Student Academic Grievance Policy

The Faculty of Commerce aims to provide a fair, equitable and productive learning environment for all its students. The Student Academic Grievance Policy seeks to support the achievement of this goal by providing a transparent and consistent process for resolving student academic grievances.

Any student who has a grievance over a result should obtain a Faculty of Commerce Appeal of Assessment Form from the Schools or the Sub-Dean’s Unit. The student should firstly take the form to the marker/lecturer to discuss the matter and, if the student is still not satisfied, s/he should take the next step as outlined on the form.

Once the grievance has been considered by the Faculty, if the student still feels the situation has not been fully resolved s/he may consult the Dean of Students. However, the Dean of Students can have no input into the academic judgement of the lecturer and can only review the grievance to ensure proper procedure has been followed.

For more information, please consult the policy in full at


C2 FACULTY AND SCHOOL POLICIES

REFERENCING

WHY DO YOU NEED TO REFERENCE?

At University it is necessary to acknowledge the sources of information and ideas that you have incorporated in your assignments. Failure to do this thoroughly may result in accusations of plagiarism: this is the academic equivalent of stealing (because by not acknowledging someone else’s work, you are presenting it as your own). Plagiarism is taken very seriously by the University and may result in expulsion from the University.

Referencing is not only about acknowledging other people's work: accurate referencing and lists of references are beneficial when researching a topic as they allow the reader to follow up information and read further into the area. In a sense, references provide readers with clues to help them explore different avenues of a topic. This aspect of referencing will become more valuable to you as you progress in your studies.

There is a correct procedure that must be followed when referencing and using footnotes. Not complying with these set techniques and format will most likely result in loss of marks.

When writing an essay it is easiest to reference as you go, making sure you are writing down all relevant information. This will save hours trying to find the source again in the library.
THE HARVARD SYSTEM OF REFERENCING

The Faculty of Commerce uses the Harvard system of referencing. This system makes use of short references within the body of the text. It is supplemented by a detailed list of references at the end of the text, which provides all the information necessary to find the source material. In-text references include the author and year of publication, and where necessary the page number(s).

*It is the responsibility of students to ensure that they are familiar with the Harvard system of referencing and that they use it accurately in all written work submitted.*

Students should consult the following University Library website for a detailed explanation and examples of the Harvard system of referencing.


CITATION OF ELECTRONIC SOURCES

It is necessary for students to reference all sources used in their written work, including file transfer protocol sites, worldwide web sites, telnet sites, synchronous communications (MOOs, MUDs, IRC, etc.) GOPHER sites, and email, Listserv and Newsgroup citations.

*It is the responsibility of students to ensure that they are familiar with the accepted Faculty of Commerce practice for referencing electronic material and that they use it accurately in all written work submitted.*

Students should consult the following University Library website for a detailed explanation and examples of how to reference electronic material.


OCCUPATIONAL HEALTH AND SAFETY WHERE RELEVANT, INCLUDING SAFETY IN LABORATORIES AND ON FIELD TRIPS

C3 SUPPORT SERVICES AND FACILITIES

{The following details of C3 are relevant to the Wollongong campus.

Off-campus sites should include their relevant support service details and delete areas which are not relevant}.

LEARNING RESOURCE CENTRE

Learning Development offers a range of free services to all enrolled students who wish to improve their academic or English language skills. There are a range of workshops available including: essay writing and editing; reading for assignments; grammar; presentation skills; pronunciation and exam preparation.

For information on language and academic skills workshops, or to make appointments for consultations, please visit the Learning Resource Centre (LRC), Building 19, Ground Floor, Room G102, or Phone 02 4221 3977. For further information visit the website:

FACULTY LIBRARIANS

Each faculty has a Faculty Librarian who is available to help with research related enquiries. Research Help Desk staff are also available in the Library to assist with research needs.

The Faculty Librarians for Commerce can be contacted as follows:

email: lib_commerce@uow.edu.au
telephone: 42 213078

DISABILITY LIAISON OFFICER

The Disability Liaison Officer (DLO) can provide advice on how particular disabilities affect university study and information on resources available at the University for assisting students with disabilities. Students commencing courses are advised to contact the Disability Liaison Officer prior to the beginning of their first session of study.

For further information on services offered, consult the Disability Services website or contact the office.

web address: http://www.uow.edu.au/student/services/ds/
telephone: 42 213445
fax: 42 215667

FACULTY DISABILITY ADVISERS

Faculty Disability Advisers are academic staff who provide assistance and support to students with disabilities within their Faculty and act as an intermediary between the student and the Faculty's academic and general staff. They provide support, educational advice and referral to appropriate staff on issues related to teaching and learning within the Faculty and the University. Students are advised to communicate specific information about the ways in which their disability affects learning to the Faculty Disability Adviser as soon as possible after enrolment.

The Faculty of Commerce Disability Adviser is Mr. Ron Perrin. Mr Perrin can be contacted as follows:

Office location: Building 40, room 224
email address: ron_perrin@uow.edu.au
telephone: 42 214118

WOOLYUNGAH INDIGENOUS CENTRE

The Woolyungah Indigenous Centre provides academic and personal support for Aboriginal & Torres Strait Islander and other indigenous students. The Centre also runs an Indigenous Specific
Orientation Program for students who gain entry to the University through the alternative admissions program.

For further information on services offered, consult the Woolyungah Indigenous Centre website or contact the office.

Centre location: Building 30
web address: http://www.uow.edu.au/aec/
telephone: 42 213563
fax: 42 214244