Unit Outline*

ECON1102

Macroeconomics, Money and Finance

Semester 2, 2011
Campus: Crawley

Unit Coordinator
Associate Professor Luciana C. Fiorini

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
Macroeconomics is the study of the economy as a whole, which can be national, regional, or global economic systems. The Macroeconomics field deals with many interesting problems, which includes understanding why:

- Some people do not have a job;
- Some countries grow faster than others;
- Rates of inflation vary along the time;
- Some countries are strongly hit by economic crises, while others seem to be less affected.

The relevance of these questions is not restricted to economists, but involves everyone, including you. Why is it so? Because inflation, economic growth and unemployment have a high influence on your daily life. How much you pay for your rent, how easily you can find a job, and even how happy are people around you, has much to do with how well the economy is doing.

Although not an easy task, finding answers to so many important questions is the main goal of macroeconomists. Macroeconomists aim on offering good analytical tools for policy makers. By using these tools, policy makers want to assure to their people an environment of prosperity and high living standards.

In this unit, we will discuss why many economic concepts - like the real gross domestic product, the level of employment, and prices – are indicators of the overall performance of an economy. Besides understanding these concepts, we will be constantly debating about current issues, such as: why in the last years China has presented high rates of growth? Why the Japanese economy did not follow the same path? What is the importance of the Chinese economy to the Australian economic growth? How was Europe affected by the American financial crisis? What about Australia, how is the worldwide economic crisis affecting this nation?

By engaging in the discussion of so many interesting topics you can expect to acquire the ability of seeing the world with different lenses. This unit will help you to learn how to think as an economist. You will understand that, as in many aspects of life, Economics is about making decisions. The choices we make as a nation have the power to determine our path in terms of achieving prosperity and sustainable growth. Why not learning how to think in a careful and responsible way, so that we can harvest the outcome of appropriate decisions?

Unit content
This unit is a first-year introductory course in macroeconomics (both domestic and international aspects are covered) and assumes no prior knowledge of macroeconomics or microeconomics. We will start from the very beginning in terms of macroeconomics and build our understanding each week. For those of you who have not studied macroeconomics before, there is no need to be concerned as we assume all students have no prior knowledge. For those students who have studied macroeconomics before (perhaps in the TEE) we expect a much deeper understanding than many of you will have. Either way, there is much we need to learn about the macroeconomy and financial markets.

The goal of the unit
The goal of this unit is to develop a solid understanding of the key principles and relationships in macroeconomics to help you understand the functioning of modern economies and financial markets. Both macroeconomic theory and case studies will be covered in this course. By the end of the
course you should have a better understanding of major contemporary macroeconomic issues. This will help you read paper such as The Australian and The Financial Review and have a deeper appreciation of the macroeconomic issues that are written about daily.

**Learning outcomes**

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

- describe the operation of the Australian economy and the causes and effects of economic growth, inflation, unemployment and government policy.
- demonstrate how foreign political and economic events affect the Australian economy.
- read and critically evaluate the financial press as it relates to the macroeconomy.
- assess how government policies and changing macroeconomic conditions affect your own welfare.
- cite recent economic events and their impact on current policy initiatives.

**Educational principles and graduate attributes**

In this unit, you will be encouraged and facilitated to develop the ability and desire to:

- master the subject matter, concepts and techniques of their chosen discipline(s) at internationally-recognized levels and standards.
- adapt acquired knowledge to new situations.
- think and reason logically and creatively.
- undertake problem identification, analysis and solution.
- question accepted wisdom and be open to new ideas and possibilities.
- acquire mature judgment and responsibility in ethical, moral, social, and practical, as well as academic matters.
- work independently and in a team.

**TEACHING AND LEARNING RESPONSIBILITIES**

**Teaching and learning strategies**

Success in this unit requires that you understand all lecture, tutorial, textbook and reading materials. Lectures and tutorials will cover both the theoretical material covered in the textbooks and readings, as well as practical examples and case studies.

In this unit you need to first master the theoretical economic models, and then be able to discuss their implications in a wide range of real-world situations.

**Teaching and learning evaluation**

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

**Attendance**

Participation in class, whether listening to a lecture or getting involved in other activities, is an important part of the learning process. It is therefore important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’.
CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name:</strong></td>
<td>Luciana Fiorini</td>
</tr>
<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:luciana.fiorini@uwa.edu.au">luciana.fiorini@uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td>6488 7212</td>
</tr>
<tr>
<td><strong>Consultation hours:</strong></td>
<td>Thursday 3:00 – 5:00 pm</td>
</tr>
<tr>
<td><strong>Lecture times:</strong></td>
<td>Please check: <a href="http://www.timetable.uwa.edu.au">http://www.timetable.uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Lecture venue:</strong></td>
<td>Please check: <a href="http://www.timetable.uwa.edu.au">http://www.timetable.uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Tutorial times:</strong></td>
<td><a href="http://www.olcr.uwa.edu.au/">http://www.olcr.uwa.edu.au/</a></td>
</tr>
<tr>
<td><strong>Tutorial venue:</strong></td>
<td><a href="http://www.olcr.uwa.edu.au/">http://www.olcr.uwa.edu.au/</a></td>
</tr>
</tbody>
</table>

TEXTBOOK(S) AND RESOURCES

**Unit website**
http://www.webct.uwa.edu.au

**Recommended/required text(s)**

**Additional resources and reading material**
The textbook gives you access to the online system Connect Plus Access, Australia. Registering to Connect Plus Access allows you to solve practice exercises, which will not be marked. If you purchase a used textbook and want access to Connect, you can buy it separately. To find out more about how to register to Connect, go to: http://connect.mcgraw-hill.com/class/fiorini2011.

Any other additional material will be provided in the Topic Summaries available in the WebCT.
## UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Week Beginning</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Part I – ISSUES IN MACROECONOMICS</strong></td>
</tr>
<tr>
<td>1</td>
<td>2 August</td>
<td><strong>Measuring Macroeconomic Performance I</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 1 Measuring macroeconomic performance: output and prices</td>
</tr>
<tr>
<td>2</td>
<td>9 August</td>
<td><strong>Measuring Macroeconomic Performance II</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 2 Measuring macroeconomic performance: saving and wealth</td>
</tr>
<tr>
<td>3</td>
<td>16 August</td>
<td><strong>Measuring Macroeconomic Performance III</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 3 Measuring macroeconomic performance: unemployment</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Part 2 – SHORT RUN MACROECONOMICS</strong></td>
</tr>
<tr>
<td>4</td>
<td>23 August</td>
<td><strong>Economic Fluctuations, Spending and Output</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 4 Short-term economic fluctuations&lt;br&gt;Chapter 5 Spending and output in the short run</td>
</tr>
<tr>
<td>5</td>
<td>30 August</td>
<td><strong>Government as a Policy Maker</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 6 Fiscal policy</td>
</tr>
<tr>
<td>6</td>
<td>6 September</td>
<td><strong>Measuring Money and Prices</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 7 Money, prices and the Reserve Bank</td>
</tr>
<tr>
<td>7</td>
<td>13 September</td>
<td><strong>Monetary Policy</strong>&lt;br&gt;Chapter 8 The Reserve Bank and the economy</td>
</tr>
<tr>
<td>8</td>
<td>20 September</td>
<td><strong>Modelling Short-Run Economic Fluctuations</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 9 The aggregate demand – aggregate supply model</td>
</tr>
<tr>
<td></td>
<td>27 September</td>
<td><strong>Study Break</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Part 3 - LONG RUN MACROECONOMICS</strong></td>
</tr>
<tr>
<td>9</td>
<td>4 October</td>
<td><strong>Understanding Economic Growth</strong>&lt;br&gt;Bernanke&lt;br&gt;Chapter 10 The economy in the long run: an introduction to economic growth&lt;br&gt;Chapter 11 The production function approach to understanding growth</td>
</tr>
</tbody>
</table>
10 11 October | A Model of Economic Growth  
Bernanke  
*Chapter 12 Saving, capital formation and comparative economic growth*

**Part 4 - OPEN ECONOMY MACROECONOMICS**

11 18 October | Exchange Rates and Exchange Rate Regimes  
Bernanke  
*Chapter 14 Exchange rates and the open economy*

12 25 October | Balance of Payments  
Bernanke  
*Chapter 15 The balance of payments*

13 1 November | Review

### ASSESSMENT MECHANISM

**The purpose of assessment**

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

**Assessment mechanism summary**

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
<th>Date</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tutorial participation</td>
<td>20%</td>
<td>To be determined in tutorials</td>
<td></td>
</tr>
<tr>
<td>Mid semester exam</td>
<td>30%</td>
<td>Week 9 (4.30 pm) Friday 23 Sept</td>
<td>The mid semester exam will cover Topics of Week 1 through Week 7.</td>
</tr>
<tr>
<td>Final exam</td>
<td>50%</td>
<td>TBA</td>
<td>The final exam will cover the whole course but focus more on weeks 8 onwards. Further details will be given out in class.</td>
</tr>
</tbody>
</table>

**Note 1:** Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

**Note 2:** Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.
**Assessment components**

Your final grade in Macroeconomics, Money and Finance ECON1102 will comprise the following components:

- **Tutorial participation** 20%
- **Mid semester exam** 30%
- **Final exam** 50%

**Tutorial participation (20%)**

Tutorial marks will be based on three different parts: attendance, participation and effort.

**Attendance:** checked at every tutorial section, starting on Week 2. You are expected to attend your own tutorial section; otherwise your attendance will not be marked.

**Participation:** Your tutor will evaluate your participation in discussion sections. You are expected to express your opinion and contribute to the discussion of topics proposed at each tutorial. Discussion topics may require previous reading of additional material, posted on the WebCT.

**Effort:** measured by your performance at problems and exercises posted on the WebCT. At each tutorial you are supposed to bring a written solution to the weekly assignments, which will be collected by your tutor and returned the week after. Some of them will be marked, others not, without previous announcement.

Your tutorial participation will be marked as following:

- **Attendance:** 10 marks
- **Participation:** 10 marks
- **Effort:** 40 marks
- **Total** 60 marks

**Mid semester exam (30%)**

The mid semester exam will be held at 4:30 pm, Friday 23 September. The venue(s) will be announced in lectures. The mid semester exam will cover Topics 1 to 7 and will be one hour long. The exam will be composed by two sections:

- **Section A:** Multiple Choice Questions 10 marks
- **Section B:** 2 Compulsory Short Answers 20 marks
- **Total** 30 marks

**Final exam (50%)**

The final exam will cover the whole course, with a higher weight for weeks 8 onwards. The final exam will be two hours and will consist of three sections:

- **Section A:** Multiple Choice Questions 20 marks
- **Section B:** 3 Compulsory Short Answers 30 marks
- **Total** 50 marks

**Submission of tutorial assignments**

Tutorial assignments should be submitted during your assigned tutorial. You should register yourself in a tutorial that you can attend. Attending another tutorial is not allowed. In case you cannot attend your tutorial, you can email your tutorial assignment to the lecturer, after seeking prior approval from the lecturer. Emailed assignments must reach before the start time of your own tutorial. Late submissions will not be acknowledged. When submitting by email to the
lecturer, please remember to attach an Assignment Cover sheet to the front of your assignment
mentioning your tutorial day, time and name of your tutor. You can download the relevant
Assignment Cover sheet from the Business School Current Students web page

Besides regular tutorial assignments, there will be online exercises posted on Connect website.
These exercises are for practice only, and will not be marked. To access the Connect website, go to:

**Student Guild**

Phone: (+61 8) 6488 2295
Facsimile: (+61 8) 6488 1041
E-mail: enquiries@guild.uwa.edu.au
Website: http://www.guild.uwa.edu.au

**Charter of Student Rights and Responsibilities**

The Charter of Student Rights and Responsibilities outlines the fundamental rights and
responsibilities of students who undertake their education at UWA (refer

**Appeals against academic assessment**

The University provides the opportunity for students to lodge an appeal against assessment results