



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

ECON411

Advanced Macroeconomic Theory

Semester One 2022

Paper Description and Aims

This paper covers advanced theories in macroeconomics. It covers tools for building and solving macroeconomic models, with applications to monetary policy, fiscal policy, inflation, business cycles, and economic growth. By the end of the paper you should have enhanced your ability to understand and critically assess contemporary advanced economic theory across a broad spectrum of macroeconomic topics.

Prerequisites: ECON 377 or (ECON 270 and ECON 376). *Restriction:* ECON 401

Students are expected to comply with all University rules and regulations. Students are expected to independently inform themselves about those rules and regulations and the details about this paper, especially its assessments.

Learning Outcomes

Upon successful completion of this paper, you should be able to:

- [1] understand and critically evaluate contemporary advanced macroeconomic models and identify how such theories can provide a basis for further theoretical and applied research;
- [2] explain how the theory can be used to analyse and understand contemporary economic problems, and to apply theory to specific problems;
- [3] communicate theoretical ideas using written English, mathematics, and statistics, as appropriate.

Course Delivery

Lecture Day/Time: Monday: 10.00am-12.00 noon
Tuesday: 2.00-3.00pm
Room: tba

Lectures present the key conceptual material through discussion and interaction between teaching staff and students. All lectures are mandatory. Lectures are supported by readings.

Teaching Staff

Lecturer (weeks 1-5)

Dennis Wesselbaum
Office: OBS 622
Email: dennis.wesselbaum@otago.ac.nz
Office hours: On demand

Lecturer (weeks 6-13)

Alfred Haug
Office: OBS 615
Email: alfred.haug@otago.ac.nz
Office Hours: tba

You should contact the Economics Reception Desk (ERD) with any administrative enquiries about the paper. The ERD is located on the 6th floor of the OBS and operates Monday-Friday, 9:30-3:30PM.

Course Learning Resources

Readings

Lecture notes or overviews and reading lists will be provided by each lecturer as needed. Readings will be either provided, be made available on reserve at the Central Library, be accessible online via the University of Otago Library, or be generally accessible online.

Blackboard

Blackboard provides you with access to some course materials. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly, or redirect your emails to your personal account.

Computation

Computing resources for assigned work are available on the student desktop and in computer labs in the Commerce building.

Assessment

All material presented during the term is assessable (except where stated otherwise) by assignments and the tests. All important assessment information such as due dates and times, content, guidelines and so on will be discussed in lectures. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

Internal Assessments

For weeks 1 to 5, two assessment items will be done, the first worth **20%** of your final mark is a mid-semester test and the second item is a project worth **20%** of your final mark. Details on assignments will be given in class. The deadline for the project will be announced in class. Internal assessments will test your ability to apply the course material (Learning outcome #2) and your written communication skills (Learning outcome #3). Official dates will be announced in lectures.

For weeks 6 to 13, there will be one assignment, worth **25%** of the final course mark. In addition, two tests, one on 9 May and the other at the end of the semester (during class time, each one hour long, with equal weights of 17.5% each) will be held, worth in total **35%** of your final course mark. There is no plussage because the course material covered in the two tests is different. The assignment and tests will include a variety of questions and will test your critical understanding of the course material (Learning outcome #1) and your written communication skills (Learning outcome #3).

Grading

The grading scheme used at Otago is

A+	90-100
A	85-89
A-	80-84
B+	75-79
B	70-74
B-	65-69
C+	60-64
C	55-59
C-	50-54
D	40-49
E	<40

Policies

Dishonest Practice and Plagiarism

Students should ensure that all assessed work is their own. Any student found responsible for dishonest practice in any piece of work submitted for assessment shall be subject to the University's dishonest practice regulations, which may result in serious penalties. A guideline for dishonest practice is available at <https://www.otago.ac.nz/study/academicintegrity/index.html>. The Library resource on ethical use of information is available at: <https://otago.libguides.com/selfhelp/search>

Untimely Submission of Assessment Items

Late assignments will be accepted for evaluation for university-approved reasons only (in the event of illness, family emergency, or conflict with a university-sponsored event). Supporting documentation must be provided.

Calendar

The calendar and its content below are subject to change during the semester. Changes will be announced during lectures.

Week of 28 February (Dr Wesselbaum) The Real Business Cycle Model

- Develop and solve the widely used business cycle model

Week of 7 March (Dr Wesselbaum) Numerical Methods

- Applied view on how to solve DSGE models

Week of 14 March (Dr Wesselbaum) The New Keynesian Model

- Extending the RBC model by introducing sticky prices

Week of 21 March (Dr Wesselbaum) Unemployment

- Building a business cycle model with equilibrium unemployment

Week of 28 March (Dr Wesselbaum) Financial Frictions

- Extending the New Keynesian model by incorporating financial frictions

Week of 4 April (Professor Haug) Empirical studies of money (part 1)

- Monetary policy shocks: covariance stationary processes, unit roots, cointegration; basics of VAR modelling

Week of 11 April (Professor Haug) Empirical studies of money (part 2)

- Vector Autoregressions (VARs) – setup, lag choice, estimation; policy transmission channels

- Empirical monetary policy transmission in VARs: impulse response functions

Week of 18 April (Mid-semester break)

Week of 25 April (Professor Haug) Empirical studies of money (part 3)

- Non-linear VAR models; monetary and fiscal policy in non-linear VARs

Week of 2 May (Professor Haug) Empirical studies of money (part 4)

- Issues with structural identification (short-run, long-run, sign restrictions), unit roots, and cointegration for impulse response function analysis

Week of 9 May (Professor Haug) Test 1 & Theory of Money (part 1)

- In-class Test 1 (one hour long; it counts 17.5% towards your course mark) on material covered since 4 April.
- The role of money in various mainstream macroeconomic models: basic concepts and an overview; Lucas critique; micro-foundations of macroeconomics
- a simple partial-equilibrium model of money demand and its flaws

Week of 16 May (Professor Haug) Theory of money (part 2)

- Overlapping generations models of money
- Cash-in-advance-constraint models of money
- Money-in-the-utility-function models

Week of 23 May (Professor Haug) Theory of money (part 3)

- Search-theoretic models of money
- Assignment due 27 May

Week of 30 May (Professor Haug)

- Summary and overview; practice questions for the in-class test
- In-class Test 2 (one hour long, worth 17.5% of the total course mark) on material covered since 9 May

THE END