

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

ECON201 MACROECONOMIC ANALYSIS

<http://www.econ.mq.edu.au/courses/econ201>

UNIT OUTLINE

2003

1. AIMS OF THIS UNIT

ECON201 builds on the foundations of the 100-level economics program. It is primarily a unit in macroeconomic theory and aims to provide students with a better understanding of how the economy works. We follow a model-based approach emphasising the common core of theory accepted by most economists. The syllabus provides insight into the macroeconomic environment of business. The key concepts and tools necessary for the study of more applied areas in economics are developed.

For some students, this unit is a stepping-stone toward training to become a professional economist. Economists follow sound rules and are good at thinking logically and consistently about real world issues. We illustrate this methodology by showing how to analyse economic issues rather than just giving the answer to any one particular question.

Professional economists are expected to acquire the analytical skills necessary for the application of macroeconomic theory to practical problems. In ECON201, we aim to develop skills in the interpretation of economic data, and to encourage rigorous and logical thinking through the analysis of macroeconomic policy issues. A variety of techniques including conceptual questions, numerical problems with additional scenarios to explore, analytical questions to test understanding of theory, self-administered quizzes using textbook website support, tutorial presentations to encourage group-work skills, model simulations and a major research essay, will assist in promoting these skills.

The priority of students taking just a few courses in economics is to understand economic issues and debates. In ECON201, we try to motivate the use of theory by reference to real world factual examples, by linking models to policy issues, by focusing on a wide range of international experience and by analysing how different countries interact within this system. Although students have a varied range of interests, our objective lies in understanding the “big” picture and seeing how different parts of the economy fit together.

In brief, we aim to (i) build a picture of how the macro-economy works using a model-based approach; (ii) show the relevance of socio-economic institutions to the performance of the economy; and (iii) encourage participation in the macroeconomic policy debates

Econ201 is primarily a unit in macroeconomic theory....

Our approach is to develop a sequence of models to explain how the economy works. Building on ECON110, we start with the goods and money markets, add a labour market and an external sector, and refine the consumption and investment relations. In the financial sector of the model, we distinguish money, short-term bonds, long-term bonds, and equities. This allows us to show the role of expectations. In the last part of the syllabus we construct dynamic models to explore key policy issues such as inflation and unemployment, economic growth and the business cycle. All these models are related and the student will learn how to select an appropriate model to analyse a particular problem.

.... that encourages critical thinking about the major policy debates

By 2000, the Australian economy had completed nine years of rapid and balanced growth. Notwithstanding this record of sustained growth and low inflation, unemployment was too high and a shortage of saving was causing large current account deficits. Economists observed that structural reform and improved socio-economic institutions had enhanced the competitiveness and flexibility of the Australian economy. The sustained expansion was attributed to better macroeconomic management and to the medium-term focus of monetary and fiscal policy. The concepts and theory developed in this unit are important to understanding solutions to the problems of managing the economy. The tutorial program will allow us to reflect on topical issues and solutions to current problems.

.... and examines the current stance of macroeconomic policy

In 1998, the Australian economy adjusted quickly to the Asian crisis. The exchange rate depreciated, exports were diversified, and an economic slowdown was averted. Since 2001, many of our trading partners experienced recession due to a collapse of property and equity prices. In response to the depressed state of the world economy, the Reserve Bank adopted a stimulatory policy stance. The Australian economy has proved robust in the face of external threats and continues to expand strongly. The prospects for sustained growth depend on the speed and strength of recovery in the USA, Asia and Europe.

Econ201 provides a foundation for a more detailed study of macroeconomic policy

Although this is not primarily a unit in macroeconomic policy, we are nevertheless interested in questions of policy design. For example, we want to know why it is currently fashionable for the authorities in many countries to pursue medium-term policy objectives in the conduct of macroeconomic policy. Since 1996, The Reserve Bank's monetary policy charter has been to maintain underlying inflation within the 2%-3% range over the course of the business cycle. The Australian government too has pursued a goal of balancing the underlying budget over the cycle. This is known as a medium-term goal. Why do treasury economists place so much importance on ensuring that government budget deficits are controlled? The design of policies to improve the performance of the Australian economy is explored in greater depth in ECON311 Macroeconomic Policy.

2. THE SYLLABUS

A summary of the unit content is as follows:

1. Measurement and Policy Issues
2. The Classical Model
3. The Keynesian Model
 - (i) Fixed Prices: IS-LM Model
 - (ii) Flexible Prices: AD-AS Model
4. Alternative Models of Aggregate Supply
5. Micro-Foundations of Consumption and Investment
6. Financial Markets: Money, Bonds and Equities
7. The Open Economy
8. Unemployment: Macroeconomics and the Labour Market
9. Inflation: Demand and Conflict
10. Growth Theory: Basics
11. Growth Theory: Extensions
12. Business Cycle Theory

To clarify the relationships among macroeconomic variables, the syllabus commences with a review of how to measure a country's production. National income accounting poses many difficult conceptual questions and it is essential to consolidate our understanding of measurement principles before macroeconomic models are applied to real world events. The first topic also offers a broad-brush survey of the major policy issues confronting the USA, Europe, Japan, Asia and Australia.

Until the 1930s, classical economics was the predominant school of thought. Contributors to this framework of analysis included such intellectual giants as Adam Smith, David Hume and David Ricardo. We examine the determination of employment, output, prices, interest rates and exchange rates in the classical model. We are interested in classical ideas because they point to the long run properties of any modern economy.

The spirit of Keynes' General Theory is captured by the IS-LM model formulated by Hicks and Hansen. This fixed-price model describes the interaction of goods and financial markets and illustrates much of what happens in the economy in the short run. To reflect Keynes' ideas on the relation between prices and output, we develop an AD-AS model. The aggregate demand schedule comes from the IS-LM model - it implies joint goods and money market equilibrium. Keynes assumed wages are slow to adjust. This gives rise to a sticky-wage AS curve that is upward sloping at first and then vertical at full employment. Keynes viewed unemployment as a normal state and provided a rationale for government policy to restore full employment. The prescriptions of Keynes were revolutionary at the time. We assess the Keynesian critique of the classical model and compare the classical and Keynesian models in some detail in order to evaluate the contribution of Keynes.

Economists recognise aggregate supply behaves differently in the short run than in the long run and use the AD-AS model to analyse fluctuations in output and prices. Because economists disagree about how best to explain short run aggregate supply, we present two alternative models. Both have prominent adherents and critics. In the imperfect-information model, short and long run behaviour differ because of temporary misperceptions about prices. The New-Keynesian model relies on market imperfections to explain the upward sloping short-run AS curve. Firms are assumed not to constantly adjust prices in response to changes in demand. This model also recognises institutional considerations in wage-setting behaviour. Although our two models differ in their assumptions and emphases, their implications are similar. Both reconcile the short and long run effects of monetary policy by emphasising the adjustment of price expectations.

We study consumption because it is crucial for explaining aggregate demand in the short run and economic growth in the long run. In modern consumption theories people save and borrow in order to smooth their consumption over time. The permanent-income and life-cycle models of consumption extend the simple consumption function of Keynes. By distinguishing permanent from temporary changes in income, they can explain the small response of consumption to income in the short run. They also incorporate wealth effects caused by changes in equity and property prices. These forward-looking models produce a close relationship between current consumption and income when borrowing constraints apply, or when individuals are uncertain of future income expectations. In these models, the impact of interest rates is ambiguous depending on the relative strength of income and substitution effects. The pattern of consumption is also influenced by demographic considerations, with savings rates being age dependent.

Investment expenditure is a volatile and pro-cyclical element of demand and it too is crucial for both short and long run analysis. In modern theories, investment depends upon expectations of the profitability of new capital relative to its cost. The cost depends upon interest rates, the tax system, depreciation, and movements in the price of capital goods.

To understand the role of expectations in financial markets, we examine the relationship between short and long-term interest rates and show how equity prices both reflect and affect economic activity. This allows us to answer important questions such as how are stock prices determined, why do they move, how do they influence aggregate demand, and how does the central bank operate in the bond market to affect the wider economy. Based on these extensions to the model, the way in which both monetary and fiscal policy affects the economy is re-evaluated using an expectations amended IS-LM approach.

So that international issues can be considered, we introduce openness into goods and financial markets. We show how the exchange rate system influences the operation of monetary and fiscal policy and describe how economic shocks are transmitted among countries. In this topic, we also explore important policy issues such as the determinants of the exchange rate and the reasons for currency crises.

The big policy debates of economists tend to focus on issues such as unemployment, inflation, economic growth and the business cycle. These topical issues are explored in the remaining part of the syllabus. After examining the costs that unemployment and inflation impose on society, we consider the options policymakers have for dealing with these problems. Next we identify the forces that determine the growth rate of an economy over long periods, and also examine various policies that governments may use to influence the growth rate. Finally, we explore alternative theories of the business cycle, emphasising both classical and Keynesian approaches.

3. LECTURES

There are three one-hour lectures at the following times and places:

Day Lectures

Tuesday	2pm	Macquarie Theatre
Wednesday	2pm	Macquarie Theatre
Thursday	2pm	Macquarie Theatre

Evening Lectures

Wednesday	6pm	C5CT2
Thursday	6pm	Macquarie Theatre
Thursday	7pm	C5CT1

Lectures in the day and evening streams are given in parallel, so students may attend either. There will be a ten-minute break in the middle of the double lecture on Thursday evening to enable students to change theatres.

4. TUTORIALS

Tutorials commence in the third week of semester. You must attend your allocated tutorial. You can change tutorials before the end of week two by e-mailing Alex Blair your name and student number and two tutorial preferences. Class lists will be posted on the Bulletin Board and placed outside the Economics Resources and Information Centre, C5C244. It is the responsibility of all students to ensure they are allocated to a group.

There are eight tutorials in total. The tutorial schedule is given below:

<u>No</u>	<u>Week</u>	<u>Tutorial Topic</u>
1	3	Classical Model
2	4	Keynesian Model (IS-LM and AD-AS)
3	6	Models of Aggregate Supply
4	7	Consumption and Saving
5	8	The Open Economy
6	10	Unemployment
7	12	Growth Theory
8	13	Business Cycle Theory

In the first tutorial, each student will be placed into a group of 3 to 4 students, and each group will be allocated to one tutorial during semester. In that tutorial, the group will present to the class answers to some of the assigned questions. Your group may also be required to hand in a completed tutorial assignment.

Tutorials comprise numerical problems and discussion questions. These will be circulated in advance. The tutorials aim to improve understanding of macroeconomic theory and of the policy debates. There should be the opportunity to explore issues raised in lectures.

To pass ECON201, students are required to attend and participate in at least six tutorials. If unforeseen circumstances cause you to miss a tutorial, you may attend another group on a once-off basis without notification.

5. ECON201 ON THE WEB

The website for this unit can be found at:

<http://www.econ.mq.edu.au/courses/econ201>

This site contains general unit information, announcements, a bulletin board, and course materials. The latter are accessed via password-protected pages. To login, use the user-name and password you were issued with at enrolment. To download course materials such as the essay guide, tutorial exercises and lecture slides, click on the notes icon. The bulletin board offers practical exercises, and access to a range of data and policy issues. We also provide links to the textbook home page and to the following learning tools.

- (1) WebMCQ: This offers multiple-choice questions for each chapter of the textbook.
- (2) MaxMark: This additional quizzing tool offers 30 multiple-choice questions per chapter. It provides extensive feedback, charts your progress and will prove invaluable for revision.
- (3) PowerWeb: This offers current and relevant Web content for use in assignments. It includes a Web-research guide, self-assessment and interactive exercises, and access to the Northern Light Search Engine.
- (4) Economics in Action: On-line case studies for several chapters of the textbook can be accessed on the textbook home-page.

6. ASSESSMENT

The components of assessment in this unit are as follows:

Tutorial Participation	5%
Two Class Tests	20%
One Essay	15%
Final Examination	60%
Total Assessment	100%

Class Tests: These will be held in Week 5 and Week 9 as follows:

- | | | |
|-----------|------------------------|------------------------------|
| Test No 1 | Wednesday 27 August | Topics 1 - 4 are examinable. |
| Test No 2 | Wednesday 24 September | Topics 4 - 7 are examinable. |

Students unable to attend due to serious misadventure should advise the tutor-in-charge, Alex Blair, within 48 hours, and submit an Advice of Absence form to the Student Centre.

Essay: The essay is due by Tuesday 07 October. Details of topics, suggested readings and requirements, will be provided in the essay guide to be distributed separately.

Final Examination: The examination paper is in two parts:

- | | | |
|---------|---------------------------|--------------------------|
| Part A: | Multiple-Choice Questions | (20% of unit assessment) |
| Part B: | Three Essay Questions | (40% of unit assessment) |

Dictionaries may not be brought into the examination room.

To pass ECON201, students must satisfy four separate requirements:

- (1) Attend at least six (6) tutorials and participate in tutorial discussions;
- (2) Perform satisfactorily in the class tests;
- (3) Submit a satisfactory essay; **AND**
- (4) Perform satisfactorily in the final examination.

Although no exact standard can be specified, anyone with below half-marks in either the within-course assessment or the final examination will have difficulty passing the course.

7. ENQUIRIES

The lecturer-in-charge, Mr Trevor Whitehead, will present 8 weeks of lectures. Professor Rod O'Donnell will present 5 weeks of lectures. The tutor-in-charge is Mr Alex Blair.

The names of tutors in ECON201 are listed below. Consultation times will be released on the Unit Home Page when they are available.

TUTOR'S NAME	ROOM	PHONE	EMAIL
Alex Blair	C5C367	9850-7897	ablair@efs.mq.edu.au
Demi Chung	To be advised		dchung@efs.mq.edu.au
Rod O'Donnell	C5C311	9850-8480	rodonnel@efs.mq.edu.au
Michael Olive	C5C383	9850-9948	molive@efs.mq.edu.au
Alison Vicary	C5C314	9850-8591	avicary@efs.mq.edu.au
Trevor Whitehead	C5C387	9850-8499	twhitehe@efs.mq.edu.au

Administrative queries should be directed to Alex Blair. For clarification of points in lectures, consult the lecturer. General enquiries about course content should be directed in the first instance to your tutor. If you cannot contact your tutor or lecturer in person, you should email them leaving a short note specifying the issue you wish to discuss together with your contact phone or email. We will contact you as soon as possible.

8. SPECIAL CONSIDERATION FOR EXAMINATIONS

If you apply for special consideration, you may be required to sit the supplementary examination regardless of your performance in the final examination. Your final grade will be determined solely by your performance in the supplementary examination.

Requests for consideration must clearly identify the circumstances - illness, accident or other unavoidable disruption - that justify any special concession. In the case of illness, students should submit a professional authority form that can be accessed on the web:

<http://www.reg.mq.edu.au/Forms/APSCons.pdf>

All requests must be lodged in writing with the Registrar no later than the day after the end of the examination period including full supporting documentation.

Special consideration will NOT be granted in cases of unsatisfactory coursework.

Students offered a supplementary examination should consult the noticeboard outside ERIC, C5C244. A list will also be posted on the web at:

<http://www.efs.mq.edu.au/supexams.htm>

Students must make themselves available for an examination normally held in December.

9. CHEATING AND PLAGIARISM

For details of the policy on plagiarism approved by Academic Senate, please refer to:

<http://www.student.mq.edu.au/plagiarism>

Also refer to the document on the home page for the Division of Economic and Financial Studies: www.efs.mq.edu.au/ugrad.html and click on "Cheating and Plagiarism".

10. TEXT AND USEFUL REFERENCES

The recommended textbook for the unit is:-

Dornbusch, R, Bodman, P, Crosby, M, Fischer, S, and Startz, R. (2002), *Macroeconomics*, McGraw-Hill, (Australian edition). *

This Australian edition of a US text offers Australian examples and data and discusses Australian institutional features. It emphasises concepts over techniques, offers straightforward explanations of more difficult material and incorporates state-of-the-art research. The bibliography points the way to a deeper exploration of various topics.

* McGraw Hill's website provides up-to-date support materials for each chapter and links to important industry, government and economics websites at <http://www.mhhe.com/au/dornbusch>.

Supplementary Reading and Alternatives to the Textbook

The textbook does not always provide adequate coverage and it is important to consult more than one reference on most topics. Wide reading will ensure a deeper understanding and promote an alternative perspective. The following are helpful supplements.

Abel, A. and Bernanke, B. (2001), *Macroeconomics*, Addison Wesley Longman, 4th edition.

This US text relies on a core set of economic ideas. It offers a lucid and balanced presentation, extensive real-world applications and better-integrated micro-foundations.

Blanchard, O. (2003), *Macroeconomics*, Prentice-Hall, 3rd edition.

This text gives increased emphasis to expectations in macroeconomics. It makes extensive use of case studies.

Colander, D and Gamber, E. (2001), *Macroeconomics*, Prentice Hall.

This policy-oriented book offers a good sense of terminology, data, institutions and models. It provides a sympathetic interpretation of Keynesian and Classical viewpoints.

Levacic, R. and Rebmann, A. (1982), *Macroeconomics: An Introduction to Keynesian-NeoClassical Controversies*, Macmillan, 2nd edition.

This is one of the few texts to present models in their historical context by recognising the opposing points of view that exist between economists.

Mankiw, N.G. (2003), *Macroeconomics*, Worth Publishers, 5th edition.

This text provides a balanced coverage between short and long run issues, and integrates Keynesian and classical ideas. It also offers web-based, interactive software.

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

This advanced text emphasises the role of expectations, inter-temporal choices of households, firms and government, and the implications of time consistency.

Official Australian Publications

The Reserve Bank Bulletin: This contains media releases, speeches and lots of publications. The February, May, August and November issues publish detailed statements on monetary policy. All these resources are available on the Reserve Bank's website. Click on the RBA's Chart Pack for graphs of the latest economic statistics.

Australian Treasury: For a detailed analysis of the Australian economy, refer to the 2003-2004 Commonwealth Budget, Paper No.1, Budget Strategy and Outlook, (May). The budget papers can be viewed at the Treasury's website.

11. READING GUIDE

MEASUREMENT AND POLICY ISSUES

(1 hour)

(We examine sources of Australian macroeconomic data and introduce the problems confronting Australia and other economies. With just one lecture, students should particularly review the summary notes.)

The concerns of macroeconomists - policy issues confronting the United States, Japan, and Europe - Australia's macroeconomic performance - measurement of aggregates

Dornbusch et al, ch1,2

Blanchard, ch1,2

Abel and Bernanke, ch1,2

Sachs and Larrain, ch1,2

THE CLASSICAL MODEL

(4 hours)

(Here we examine the properties of the classical system. This advanced topic requires extensive reading.)

The classical system: labour, capital and money markets - disturbances in the classical model - Keynes' critique of the classical model.

Dornbusch et al, ch5

Sachs and Larrain, ch3 *

Levacic and Rebmann, ch2-1, 5

Trevithick, ch1-5 **

* Sachs and Larrain provide a most useful comparison of the Keynesian and classical models.

** Trevithick, J. A. (1992), *Involuntary Unemployment: Macroeconomics from a Keynesian Perspective*, Harvester Wheatsheaf. This text offers a comprehensive analysis of the classical model.

THE KEYNESIAN MODEL (IS - LM and AD-AS Models)

(4 hours)

(The IS-LM model is an essential building block. When extended to include a labour market, we obtain the AD-AS model. The AD-AS framework is used to compare the Classical and Keynesian models.)

Equilibrium in goods and financial markets - derivation of the IS and LM curves - slope and intercept properties - policy analysis with IS-LM - relative effectiveness of monetary and fiscal policy - using the IS-LM model to analyse causes of the Great Depression - deriving the AD relation from IS and LM curves - derivation of the Keynesian (fixed wage) AS curve - comparison of Keynesian and classical models.

Dornbusch et al, ch8,9,10

Mankiw, ch9,10

Colander and Gamber, ch8,9

Sachs and Larrain, ch12

ALTERNATIVE MODELS OF AGGREGATE SUPPLY

(3 hours)

(We introduce more sophisticated explanations of aggregate supply and use the AD-AS framework to illustrate disturbances in goods, financial, and labour markets.)

Imperfect information and aggregate supply - modern views of wage and price setting - derivation and properties of a New-Keynesian AS curve - monetary and fiscal expansions and supply shocks using the AD-AS framework.

Dornbusch et al, ch5,6

Colander and Gamber, ch11

Abel and Bernanke, ch9.6, 10.3

Sachs and Larrain, ch3,16

Blanchard, ch6,7

MICRO-FOUNDATIONS: CONSUMPTION AND INVESTMENT

(3 hours)

(This topic examines the role of expectations in consumption and investment decisions).

Consumption: Traditional versus inter-temporal approaches - life cycle and permanent income models - borrowing constraints, uncertainty, and bequests - demographic trends and saving - strategies to increase national saving

Investment: Neo-classical theory and accelerator models of investment

Dornbusch et al, ch13,14

Mankiw, ch16,17

Abel and Bernanke, ch4

Sachs and Larrain, ch4,5 *

* Sachs and Larrain is the most comprehensive reference, and is highly recommended for this topic.

FINANCIAL MARKETS: MONEY, BONDS AND EQUITIES

(3 hours)

(We examine the role of expectations in financial markets and extend the analysis of the IS-LM model to take another look at the role and the limits of policy in an economy in which expectations play a major role).

Advanced theories of money demand - the yield curve linking short and long-term interest rates - stock prices and wealth effects - policy in an expectations-amended IS-LM model

Dornbusch et al, ch15,17

Sachs and Larrain, ch20-6

Blanchard, ch15,17 *

* Blanchard, ch17, extends the IS-LM model to examine the policy implications of expectations.

THE OPEN ECONOMY

(4 hours)

(The focus is on the implications of fixed and flexible exchange rates, on how the exchange rate adjusts in the long run, and on the role of expectations in triggering exchange rate crises).

Exchange rate concepts - domestic versus foreign financial assets and interest rate parity - depreciation and the 'J' curve - saving, investment, and trade deficits - interest rates and exchange rates - policy under floating exchange rates - the large country case - policy under fixed exchange rates - overshooting - exchange rate crises.

Dornbusch et al, ch11,12

Blanchard, ch18-21

Abel and Bernanke, ch5,13

Sachs and Larrain, ch10,13,14

UNEMPLOYMENT: MACROECONOMICS AND THE LABOUR MARKET

(3 hours)

Aggregate demand, wages and unemployment in Neoclassical and Keynesian theory - Can unemployment be reduced by cutting wages?

Davidson, ch11 *

Trevithick, ch5

Keynes, *General Theory*, ch19

* Davidson, P. (1984), *Post Keynesian Macroeconomic Theory*, Elgar, Aldershot

INFLATION: DEMAND AND CONFLICT

(3 hours)

Theories of inflation, Phillips curve, conflict models and the behaviour of inflation under alternative policy regimes

Dornbusch et al, ch6

Levacic and Rebmann, ch18

Blanchard, ch8-9

Palley, ch11 *

* Palley, T. (1996), *Post Keynesian Macroeconomics: Debt, Distribution and the Macroeconomy*, Macmillan, London

GROWTH THEORY: BASICS

(3 hours)

Sources of long-run growth - Harrod model and basic Neoclassical (Solow-Swan) model

Dornbusch et al, ch3

Jones, H, ch 3,4 *

Colander and Gamber, ch5

Levacic and Rebmann, ch15

Jones, C, ch2 *

Thirlwall, ch4 *

(NB: Jones, H, Levacic and Rebmann and Thirlwall deal with the Harrod model).

* Jones, C. (2002), *Introduction to Economic Growth*, 2nd edition, W.W. Norton, New York.

* Jones, H. (1975), *An Introduction to Modern Theories of Economic Growth*, Van Nostron Rheinhold, Wokingham

* Thirlwall, A.P. (1999), *Growth and Development*, 6th edition, Macmillan, London.

GROWTH THEORY: EXTENSIONS

(3 hours)

Endogenous growth theory, explanations of cross country variation in growth performance, Neo Institutional approaches

Dornbusch et al, ch4

Jones, C, ch 3.2,7,8

Colander and Gamber, ch6

BUSINESS CYCLE THEORY

(3 hours)

Business cycle theories - 'real' business cycle theories and alternatives (New Keynesian, Post Keynesian)

Dornbusch et al, ch20

Levacic and Rebmann, ch 16,17

Abel and Bernanke, ch8,10,11

Sachs and Larrain, ch16,17

12. UNIT DIARY

WEEK	TOPICS	CLASS WORK
28 July (1)	Measurement and Policy (1) Classical Model (2)	
04 August (2)	Classical Model (2) Keynesian IS-LM Model (1)	
11 August (3)	Keynesian IS-LM Model (2) Keynesian AD-AS Model (1)	Tutorial 1: Classical Model
18 August (4)	Alternative Models of Aggregate Supply (3)	Tutorial 2: Keynesian Model
25 August (5)	Class Test No 1 * Consumption (2)	
01 Sept (6)	Investment (1) Money, Bonds and Equities (2)	Tutorial 3: Alternative AD-AS Models
08 Sept (7)	Money, Bonds and Equities (1) The Open Economy (2)	Tutorial 4: Consumption And Saving
15 Sept (8)	The Open Economy (2) Unemployment and the Labour Market (1)	Tutorial 5: Open Economy
22 Sept (9)	Class Test No 2 * Unemployment and the Labour Market (2)	
29 Sept to 10 Oct	Mid-Semester Break (2 Weeks)	Essay: Tues 07 October
13 Oct (10)	Inflation: Demand and Conflict (3)	Tutorial 6: Unemployment
20 Oct (11)	Growth Theory: Basics (3)	
27 Oct (12)	Growth Theory: Extensions (3)	Tutorial 7: Growth Theory:
03 Nov (13)	Business Cycles (3)	Tutorial 8: Business Cycles

* Class Test 1 Wednesday 27 August Day: MTh, 2pm Evening: C5CT2, 6pm.
 Class Test 2 Wednesday 24 September Day: MTh, 2pm Evening: C5CT2, 6pm.