

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

ECON201 MACROECONOMIC ANALYSIS

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

UNIT OUTLINE

2004

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

This is not primarily a unit in policy issues. Nevertheless we are concerned with questions of policy design. In particular, we wish to know why the authorities in many countries pursue medium-term policy objectives in the conduct of macroeconomic policy. In Australia, the Reserve Bank's monetary policy charter is to maintain underlying inflation within a 2%-3% range over the business cycle. The Australian government too aims to balance the underlying budget over the cycle. This is a medium-term policy goal. In brief, we are interested in knowing why the Reserve Bank and the Australian Treasury place so much importance on controlling inflation and government budget deficits. The design of policies to improve the performance of the economy is explored in greater depth in the unit ECON311 Macroeconomic Policy.

2. THE SYLLABUS

A summary of the unit content is as follows:

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

Topic 1 has two objectives. First, we survey policy issues confronting the major regions of the world - Europe, the United States, Japan, and Asia. Second, to clarify relationships among macroeconomic variables, we summarise procedures and conceptual questions involved in measuring GDP. It is important to consolidate our understanding of measurement principles before macroeconomic models are applied to real world events.

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.

Classical economics was the dominant school of thought prior to Keynes. Contributors to this framework included such intellectual giants as Adam Smith, David Hume and David Ricardo. In our study of the classical model, we distinguish three markets - labour, capital and money markets - in order to examine the determinants of employment, output, wages, prices and interest rates. A key result is the classical dichotomy - the premise that real variables, such as output and employment, are not affected by what happens to nominal variables, such as the money supply and the price level. Although classical ideas are useful for explaining the long-run trends, including economic growth, most economists believe classical theories cannot explain short-run fluctuations in output and employment. This topic concludes with Keynes' critique of the classical model.

In the following topic, we introduce a framework to study economic fluctuations: the model of aggregate supply and aggregate demand. The model assumes prices are sticky in the short run and flexible in the long run. The AD relation is derived directly from the IS-LM model. It slopes downward because at a lower price level, real money balances increase, reducing interest rates and raising demand. The AS relation is derived from the labour market and assumes the labour market is in equilibrium. Economists disagree on why the AS curve is upward sloping. For this reason, we consider three alternative 'stories' of aggregate supply. The first of these is the "sticky wage" model. In this model, the AS curve slopes upward below full employment because the real wage is anti-cyclical. This model shows why Keynes viewed unemployment as involuntary when aggregate demand falls. It also shows how monetary and fiscal policies can potentially stabilise the economy.

The second explanation for the upward slope of the short-run AS curve is called the “imperfect-information” model. This model relies on temporary misperceptions of prices to explain short and long run behaviour and assumes that all wages and prices are free to adjust to balance supply and demand. Milton Friedman, a prominent critic of Keynes, proposed this model. In the third explanation, known as the “new-Keynesian” model, firms are assumed to be slow to adjust prices to demand. We follow the approach of Blanchard, which allows market imperfections to influence wage and price-setting behaviour. In all three AD-AS models, we rely on lagged adjustment of price expectations to reconcile the short and long run effects of monetary and fiscal policy. More sophisticated versions of these models incorporate the assumption of rational expectations.

In modern consumption theories people are assumed to be free to borrow so they can smooth consumption over time. The permanent-income model distinguishes temporary from permanent changes in income to explain the small response of consumption in the short run. In the life-cycle model, the pattern of consumption is influenced by demographic considerations, and wealth effects caused by changes in equity and property prices help explain the cyclical variation in the C/Y ratio. When borrowing constraints apply, or individuals are uncertain of future income expectations, these models produce a close relationship between current consumption and income. The impact of interest rates is ambiguous depending on the relative strength of income and substitution effects.

Investment expenditure is a volatile and pro-cyclical element of demand and 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.

Expectations in financial markets play an important role in the relationship between short and long-term interest rates and allow us to see how central bank operations in the bond market affect the wider economy. Expectations also show how equity prices reflect and affect economic activity. In this topic, we learn how stock prices are determined, why they move, and how they influence aggregate demand. On distinguishing money, short-term and long-term bonds, and equities, we amend the IS-LM approach to re-evaluate the way in which monetary and fiscal policy affect the economy.

Our open economy model - the Mundell-Fleming model - incorporates international trade and finance. It is used to analyse the impact of policies in a small open economy and the influence of the exchange rate system on the behaviour of an economy. We explore a range of important issues such as policy in the large open economy, interest rate shocks, country risk and exchange-rate expectations, whether a floating or fixed exchange rate is better, and overshooting and currency crises.

The big policy debates of economists focus on issues such as unemployment, inflation, economic growth and business cycles. 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	W5AT1
Thursday	6pm	W5AT1
Thursday	7pm	W5AT1

Day and evening lectures 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.

4. TUTORIALS

Tutorials commence in the third week of semester. Class lists will be posted on the Website Bulletin Board. It is the responsibility of all students to ensure they are allocated to a group. If you need to change tutorials, you should arrange this before the end of week two by e-mailing the tutor-in-charge, Alison Vicary. Please give Alison your name and student number and two tutorial preferences. You must attend your allocated 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	IS-LM Model
2	4	Classical Model
3	6	Alternative 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

Tutorial Presentations: In the first tutorial class, each student will be placed into a group of 3 to 4 students. Groups will be allocated a question for one of the tutorial topics and required to make a short presentation to the class. Your group should submit a complete set of answers to the tutor for grading. In addition, we would like each group to circulate a summary of its answer to each member of the class.

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 01 September	Topics 1 - 4 are examinable.
Test No 2	Wednesday 13 October	Topics 4 - 7 are examinable.

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

Essay: The essay is due by Tuesday 28 September. 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 make one group presentation;
- (2) Perform satisfactorily in the class tests;
- (3) Submit a satisfactory essay; **AND**
- (4) Perform satisfactorily in the final examination.

Notwithstanding weights given to class-work, to achieve a pass grade in the unit, a student must pass the final examination.

7. ENQUIRIES

The lecturer-in-charge, Mr Trevor Whitehead, will present the first 8 weeks of lectures. Dr Wylie Bradford will present the last 5 weeks of lectures. The tutor-in-charge is Ms Alison Vicary.

The names of all full-time tutors in ECON201 are listed below. The names of part-time tutors will be available early in the semester. Consultation times will be released on the Unit Home Page when they are available.

TUTOR'S NAME	ROOM	PHONE	EMAIL
Rod O'Donnell	C5C311	9850-8480	rodonnel@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 Alison Vicary. 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 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.

To check if you are offered a supplementary examination, students should consult a list to 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 and Sheen, J. (2004), *Macroeconomics*, Prentice-Hall, Australian 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

(2 hours)

(We examine sources of Australian macroeconomic data and introduce the problems confronting Australia and other economies. 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 IS - LM MODEL

(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 IS-LM to analyse the Great Depression.

Dornbusch et al, ch8,9,10

Mankiw, ch9,10

Colander and Gamber, ch8,9

Sachs and Larrain, ch12

THE CLASSICAL MODEL

(3 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.

ALTERNATIVE MODELS OF AGGREGATE SUPPLY

(3 hours)

(First we examine Keynes' story of aggregate supply and then two alternative explanations of aggregate supply. We use the AD-AS framework to illustrate disturbances in goods, financial, and labour markets.)

Deriving the AD and AS relations - Keynesian 'sticky-wage' model - New-Classical 'imperfect information' model - New-Keynesian AD-AS model - Macroeconomic policies and supply shocks in the AD-AS framework.

Dornbusch et al, ch5,6

Blanchard, ch6,7

Abel and Bernanke, ch9.6, 10.3

Sachs and Larrain, ch3,16

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).

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

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, the role of expectations in triggering exchange rate crises, and how the exchange rate adjusts in the long run).

Exchange rate concepts - The interest rate parity relation - The 'J' Curve - Saving, investment, and the current account - The Mundell-Fleming model - Policy under fixed and floating exchange rates - The large country case - Allowing for exchange rate risk - The open-economy AD-AS model - Expectations, overshooting and 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

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
02 Aug (1)	Measurement and Policy (2) IS-LM Model (1)	
09 August (2)	IS-LM Model (3)	
16 August (3)	Classical Model (3)	Tutorial 1: IS-LM Model
23 August (4)	Alternative Models of Aggregate Supply (3)	Tutorial 2: Classical Model
30 August (5)	Class Test No 1 * Consumption (2)	
06 Sept (6)	Investment (1) Money, Bonds and Equities (2)	Tutorial 3: Alternative AD-AS Models
13 Sept (7)	Money, Bonds and Equities (1) The Open Economy (2)	Tutorial 4: Consumption And Saving
20 Sept to 04 Oct	Mid-Semester Break (2 Weeks)	Essay: Tues 28 September
05 Oct (8)	The Open Economy (2) Unemployment and the Labour Market (1)	Tutorial 5: Open Economy
11 Oct (9)	Class Test No 2 * Unemployment and the Labour Market (2)	
18 Oct (10)	Inflation: Demand and Conflict (3)	Tutorial 6: Unemployment
25 Oct (11)	Growth Theory: Basics (3)	
01 Nov (12)	Growth Theory: Extensions (3)	Tutorial 7: Growth Theory:
08 Nov (13)	Business Cycles (3)	Tutorial 8: Business Cycles

* Class Test 1 Wednesday 01 September Day: MTh, 2pm Evening: W5AT1, 6pm.
 Class Test 2 Wednesday 13 October Day: MTh, 2pm Evening: W5AT1, 6pm.