ECON 6102
ADVANCED MACROECONOMIC ANALYSIS

Course Outline
 Semester 2, 2013

Part A: Course-Specific Information

Students are also expected to have read and be familiar with Part B Supplement to All Postgraduate Course Outlines. This contains Policies on Student Responsibilities and Support, Including Special Consideration, Plagiarism and Key Dates. It also contains the ASB PROGRAM LEARNING GOALS.
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1 STAFF CONTACT DETAILS

The Lecturer for this course is:

Associate Professor Benoit Julien
Room 405 ASB Building
Phone No: 9385 3876
Email: benoit.julien@unsw.edu.au
Consultation Times – by appointment

1.1 Communications with staff

Email is the recommended means of initial communication with the teaching staff for this course. You should feel free to approach your lecturer about any academic matter. The information concerning administrative matters may also be obtained from the School of Economics Office, Level 4, ASB building.

2 COURSE DETAILS

2.1 Teaching Times and Locations
Lectures: Wednesdays 18:00 – 21:00 ASB 130

2.2 Units of Credit
Units of Credit: 6

2.3 Summary of Course
This course provides an in-depth analysis of the implications of search frictions for the macro-economy and society at large. The course will develop the main tools of the search and matching approach used to address economic and social questions. With these building blocks in place we consider some more specific applications to the aggregate labor market, money, assets, liquidity and banking. At the end of the course students should have a working knowledge of the models used and a good sense of the open questions in those subject areas for which these models are most appropriate.

2.4 Aims and Relationship to Other Courses
The course aims to provide benefits to students in terms of:

- The ability to use advanced economic tools in addressing economic policy questions;
- An understanding of the different ways in which economic policy issues can be tackled and the way in which economic policies affect economic performance;

This course is a 2nd part of the graduate course on advanced macroeconomics. It will build on the material that was taught in macroeconomic analysis (ECON6002). You must have completed ECON6002 with satisfactory grades or have completed equivalent course material.
2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all students in the ASB. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on the Postgraduate Program Learning Goals and Outcomes, see Part B of the course outline.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

<table>
<thead>
<tr>
<th>Program Learning Goals and Outcomes</th>
<th>Course Learning Outcomes</th>
<th>Course Assessment Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>This course helps you to achieve the following learning goals</td>
<td>On successful completion of the course, you should be able to:</td>
<td>This learning outcome will be assessed in the following items:</td>
</tr>
<tr>
<td>1 Knowledge</td>
<td>Identify and explain the assumptions and structure of standard models in macroeconomics.</td>
<td>Assignments • Exams</td>
</tr>
<tr>
<td></td>
<td>Analyze and critically manipulate these models.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Apply the models to interpret and analyze problems in macroeconomics.</td>
<td></td>
</tr>
<tr>
<td>2 Critical thinking and problem solving</td>
<td>Construct economic arguments in terms of the above concepts, and present their arguments.</td>
<td>Assignments • Exams</td>
</tr>
<tr>
<td>3a Written communication</td>
<td>Construct written work which is logically and professionally presented.</td>
<td>Assignments</td>
</tr>
<tr>
<td>3b Oral communication</td>
<td>Communicate ideas in a succinct and clear manner.</td>
<td>Presentation</td>
</tr>
<tr>
<td>4 Teamwork</td>
<td>Work collaboratively to complete a task.</td>
<td>Not specifically assessed.</td>
</tr>
<tr>
<td>5a Ethical, environmental and sustainability responsibility</td>
<td>Identify and assess environmental and sustainability considerations in problems in international macroeconomics.</td>
<td>Exams • Assignments</td>
</tr>
<tr>
<td>5b Social and cultural awareness</td>
<td>Not specifically addressed in this course.</td>
<td></td>
</tr>
</tbody>
</table>
3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course
The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au. Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturers and tutors aim to provide meaningful and timely feedback to students to improve learning outcome.

An effective learning strategy (on which the course materials are based) is the following:

- Prior to attending a lecture, download the lecture notes, read them and the relevant material from the textbook, bring the notes with you to the lecture.
- Attend the lecture. The relevant material from the textbook forms the basis for the lecture. Key concepts will be emphasised and demonstrated through worked examples.
- Assignments: do not be discouraged if you cannot answer all of the questions as some questions are more difficult than others. Attempting the assigned questions will provide a self-test of your understanding of particular topics and identify those topics which may require further attention.

3.2 Learning Activities and Teaching Strategies
The examinable content of the course is defined by the material covered in lectures, tutorials and problem sets.

Lectures
The purpose of lectures is to provide a logical structure for the topics that make up the course, to emphasise the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied. As not all topics will be presented extensively, students should refer to the textbook for further details and be sure to attempt the tutorial exercises.

Out-of-Class Study
While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.
4 ASSESSMENT

4.1 Formal Requirements
To be eligible for a passing grade in this course, students must:
- Achieve a composite mark of at least 50 per cent;
 AND
- Satisfactorily complete all assessment tasks or submit appropriate documentation relating to your failure to complete a task to the Lecturer in Charge.

4.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weight</th>
<th>Length</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignments (first 8 weeks)</td>
<td>15%</td>
<td>2 weeks</td>
<td>See Below</td>
</tr>
<tr>
<td>Presentation</td>
<td>20%</td>
<td></td>
<td>See Below</td>
</tr>
<tr>
<td>Assignments (last 4 weeks)</td>
<td>15%</td>
<td>2 weeks</td>
<td>See Below</td>
</tr>
<tr>
<td>Final Exam (first 8 weeks)</td>
<td>50%</td>
<td>2 hours</td>
<td>See Below</td>
</tr>
</tbody>
</table>

4.3 Assignments
Students will be given various assignments and class presentations. For each assignment, students will be given at least two weeks to complete and submit their final output.

4.4 Presentations
Each student will choose a paper from the reading group to present in class. The presentation will take 30 minutes. The evaluation will be based on the quality of presentation and ability to answer questions. Presentation schedule will be set up during the first week of the semester.

4.5 The final examination
Final exam will be held in the University examination period and will be at least 2 hours long, or will be taken separately in an extra class time.

Further information on the content of the Final Exam will be provided towards the end of session. The examination period for Semester 2, 2013, falls between 8-26 November.

4.6 Quality Assurance
The ASB is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of ASB programs. All material used for such processes will be treated as confidential and will not be related to course grades.
5 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW’s Course and Teaching Evaluation and Improvement (CATEI) Process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

6 COURSE RESOURCES

The website for this course is on UNSW Blackboard at: http://lms-blackboard.telt.unsw.edu.au/webapps/portal/frameset.jsp

There is no text for the course. The best sources of information are *Recursive Macroeconomic Theory* by Ljungqvist and Sargent MIT Press 3nd Ed. [2012] and *Equilibrium Unemployment Theory* by C. Pissarides, MIT press [2000]. Other useful sources are Randy Wright’s lecture notes on search theory and survey by Rogerson *et al* [2004]. For directed search the lecture will be based mainly on the lecturer’s own research. For the money, assets, liquidity and banking, the lectures will be based on *Money, Payments and Liquidity* by E. Nosal and G. Rocheteau, MIT press [2011], and the first two chapters of the latest Handbook on Monetary Economics by S. Williamson and R. Wright [2012]. Other sources will be journal articles to be announced on the first week of lectures. Papers that we do not discuss in class will not be examinable but papers that students present in class are eligible for the final exam.
7 COURSE SCHEDULE

7.1 Lecture Schedule
Lectures start in Week 1 and finish in Week 12. Below is a (preliminary) list of topics with some references. A definite list and more details will be provided on the first week of lectures.

PART I: THEORETICAL FOUNDATIONS

Preliminaries (See Wright notes and Rogerson et al [2005])

(1) Continuous time value functions, Poisson processes and one-sided search.
(2) On-the-job search

Equilibrium Unemployment and Directed Search

(3) Basic model with bargaining (Pissarides [2000])
(4) Basic model with directed search (Moen [1997]/Rogerson et al [2005]/Julien, Guerrieri and Wright [2013]).
(5) Other extensions and variants: multiple applications, multi worker firms, partially directed search.

PART II: APPLICATIONS

Wage/price dispersion

(6) Empirical issues for wage dispersion in search models (Hornstein, et al [2011])
(7) Endogenous Wage Dispersion (Burdett and Mortensen [1998])
(8) Contract dispersion (Stevens [2003], Burdett and Coles [2003])
(9) Wage dispersion in Directed search (Delacroix and Shi [2006], Moen [2003])

Business cycles

(10) Shimer’s critique of the Mortensen Pissarides [1994] (MP) model (Shimer [2005]).
(11) A recalibration of the MP model. (Hagedorn and Manovskii [2008])
(12) Work addressing Shimer’s critique (Mortensen and Nagypal [2007])
(13) Further issues: cyclicity of unemployment durations (Aaronson et al [2010]), magnitude of match surplus (Masters [2012]).

Fiat Money, assets and liquidity

(14) Basic New Monetarist model (Williamson and Wright [2012]).
(15) Media of exchange, asset pricing, liquidity and banking (Nosal and Rocheteau [2012]).

Reading list (papers to present):
Coming soon.