Names and Contact Details
Contact is best initiated by email or by making an appointment time for a Monday, Tuesday or Wednesday only
The Course Coordinator is: Professor Viv Hall
Room: RH 201 in Rutherford House, 23 Lambton Quay
Voice/Message: (04) 463 5081
Email: viv.hall@vuw.ac.nz

Trimester Dates
Teaching Period: Monday 5 March – Friday 8 June
Study Period: Monday 11 June – Thursday 14 June
Examination Period: Friday 15 June – Wednesday 4 July (inclusive)

Withdrawal from Course
1. Your fees will be refunded if you withdraw from this course on or before Friday 16 March 2012.

2. The standard last date for withdrawal from this course is Friday 18 May. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘Application for Associate Dean’s Permission to Withdraw Late’ including supporting documentation
The application form is available from either of the Faculty’s Student Customer Service Desks.

Class Times and Room Numbers
Tuesdays 2.30 p.m. – 4.30 p.m.
RWW 125

Pre-requisite: ECON 305, together with suitably strong quantitative/econometric preparation; ECON 402 and ECON 403 would be ideal co-requisites, if not already completed.
Course Content
ECON 423 features macroeconomic and structural modelling of the New Zealand economy, blending relevant economic theory, applied econometric and policy relevant material. In 2012, the modelling will place most focus on the Reserve Bank of New Zealand core macroeconomic model, KITT, and on selected applied/computable general equilibrium (AGE/CGE) modelling.

Course Learning Objectives
By the end of this course students should be able to
1. assess the key insights from best practice international modelling, and recent New Zealand policy applications
2. critically evaluate the relative strengths and weaknesses of comparative static and dynamic approaches to computable general equilibrium modelling
3. explain and assess the relative roles of deterministic and stochastic macroeconomic models, and their steady state and dynamic properties
4. display a sound appreciation of the roles of macroeconomic and structural models in forecasting, projection and policy processes

Course Delivery
There will be 12 meetings during the trimester. The first four two-hour lectures will feature an introduction to structural/ CGE modelling. The first session will feature introductory concepts, including how to assess structural change and the role of interindustry analysis. The next two sessions will complete our coverage of essentially short run comparative static CGE modelling concepts and applications, and the fourth session will feature a recent New Zealand dynamic CGE modelling application. The eight macroeconomic modelling sessions will cover: macroeconomic modelling processes, including evaluation of the relative strengths and weaknesses of modelling and non-modelling approaches; underlying macroeconomic concepts and ideas; applications featuring the National Bank of New Zealand model (NBNZ-DEMONZ) and the RBNZ’s FPS model; and four sessions on the structure, steady state and dynamic properties, and evaluation methods of the RBNZ’s Dynamic Stochastic General Equilibrium (DSGE) model KITT (Kiwi Inflation Targeting Technology). Reference will also be made, where appropriate, to features of the recent write-up of New Zealand Treasury’s NZTM model.

Expected Workload
ECON 423 is a 15-point course, and on the basis of VUW having designated one point = 10 hours work, expected work load would total 150 hours. If that workload were spread over 15 weeks, hours expected would average around 10 hours per week. This would involve attending classes (2 lecture hours per week, for the 12 teaching weeks), plus reading for and completing assignment work and preparing for the final examination, for approximately 8.5 hours per week over 15 weeks. The 8.5 hours would of course vary for individual students, depending on the student’s previous knowledge and understanding, and the final grade at Honours level to which the student aspires.
Indicative Topics and Readings (* denotes a key reading, available from Blackboard where a pdf is able to be provided; ☑ denotes available from box of readings in SEF Reception, RH 321).

1. Why model? Structural/CGE Modelling: An Introduction (1 session)

Why model?


Structural modelling: inter-industry analysis and types of CGE modelling


2.3. Comparative Static CGE modelling (2 sessions)


* Parmenter (1982), s. 3.2 (a).


* Further detail can be found in Dixon, Peter B., B. R. Parmenter, John Sutton and D. P. Vincent (DPSV), ORANI: A Multisectoral Model of the Australian Economy, North-Holland Contributions to Economic Analysis Volume 142, 1982, chs. 1, 2 (ss. 3-7), 4 (ss. 24-27, 29), 5 (ss. 30-32, 34).

Construction of a Model for Practical Policy Analysis

* Parmenter (1982), s. 3.2 (b).

* DPSV, ch. 3 (especially ss. 13, 14, 18, 19, 22)

4. A dynamic CGE modelling application (1 session)

* Nana, Ganesh, ch. 1.


5. Introduction to macroeconomic modelling for the generation of forecasts and projections, and for policy analysis (1 session)


The following websites can also be investigated to gain a useful perspective on quality, model-based technical reports and working papers:

www.bankofcanada.ca/en/pubs.htm
www.norges-bank.no
www.riksbank.com
www.bccentral.cl/eng/standpub
www.econtech.com.au
6. Macroeconomic Modelling: Underpinning Concepts and Ideas (1 session)


* Black et al., s. 2.

* Jaromír Beněš, Andrew Binning, Martin Fukāč, Kirdan Lees, Troy Matheson, Kiwi Inflation Targeting Technology, Reserve Bank of New Zealand, May 2009, chs. 1, 6


7. A Deterministic Practical Application, using NBNZ-DEMONZ (1 session)


8. FPS: An Application (1 session)


* Hall, Viv and Angela Huang, “Would adopting the US dollar have led to improved inflation, output and trade balances for New Zealand in the 1990s?”, New Zealand Economic Papers, 38(1), June 2004, 49-63.


9. KITT: Model design, microfoundations and economic structure


10. **KITT: The log linear model, data, steady state, estimation and model evaluation**


11. **KITT: Some further tools to assist model evaluation and “storey telling”, some dynamic responses to selected shocks.**


12. **An RBNZ model application (1 session)**

Specific application, presenter from the RBNZ: Reading to be advised

**Assessment Requirements and relation to Course Learning Objectives**

For assessment purposes, you are required to sit the final examination in the Trimester One final examination period, and to complete coursework requirements. The coursework consists of two short assignments (to be distributed in the first half of the trimester), and an essay of no more than 2500 words (see the final page of this outline). Unlike the situation that exists in undergraduate papers, your final grade will be determined on the basis of your overall performance in the Honours programme. However, as a guide to the allocation of your efforts, the assessment in ECON 423 will be based on:

- 15% for assignments: Ass. 1 due no later than 5 pm Tuesday 27 March (1/3 week 4);
- Ass. 2 due no later than 5 pm Tuesday 24 April (1/3 week 6)
- 25% for the essay: due no later than 5 pm Tuesday 29 May (1/3 week 11)
- 60% for the final two-hour examination.

Preparing for and completing assignments 1 and 2 will assist the student to achieve Course Learning Objectives 1, 2 and 4; depending on the particular essay topic chosen, preparing for and completing the essay requirement will assist the student to achieve various aspects of Course Learning Objectives 1 to 4; preparing for and sitting the Final Exam will assist the student to achieve Course Learning Objectives 1 to 4.

**Quality Assurance Note**

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The
findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

**Examinations**
Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from Friday 15 June – Wednesday 4 July (inclusive).

**Penalties**
Coursework submitted late will not be graded.

**Mandatory Course Requirements**
Mandatory course requirements will be satisfied if all assessment requirements are completed.

**Class Representative**
A class representative will be elected in the first class, and that person’s name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

**Communication of Additional Information**
Additional information or information on changes will be conveyed to students through emails and Blackboard.

For the following important information follow the links provided:

**Academic Integrity and Plagiarism**
http://www.victoria.ac.nz/home/study/plagiarism.aspx

**General University Policies and Statutes**
Find key dates, explanations of grades and other useful information at www.victoria.ac.nz/home/study
Find out about academic progress and restricted enrolment at http://www.victoria.ac.nz/home/study/academic-progress.aspx
The University’s statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at http://www.victoria.ac.nz/home/study/calendar.aspx (See Section C).
Further information about the University’s academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

**AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**
http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

**Faculty of Commerce and Administration Offices**
http://www.victoria.ac.nz/fca/studenthelp/

**Te Putahi Atawhai**
Maori and Pacific Mentoring Programme
http://www.victoria.ac.nz/st_services/tpa/index.aspx
Critically evaluate any one major reference or set of references (not covered directly in class sessions), relevant to any one of ECON 423’s Computable General Equilibrium or Macroeconomic Modelling topics 1 to 8.

Guidelines

- The maximum length (excluding footnotes, list of references, and a 100 word Abstract) is 2500 words.
- The essay should be written legibly, typed or word-processed on A4 paper, with adequate margins on each side and spacing between lines.
- The original should be submitted on or before the above date. You should retain a copy of your essay.

Viv Hall
February 2012