

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

# ECON823 MACROECONOMICS

Semester 2, 2009

*Department of Economics*

## ECON823 - MACROECONOMICS

Students in this unit should read this outline carefully at the start of the semester. It contains important information about the unit. If anything is unclear, please consult the unit convenor.

### UNIT DESCRIPTION

This unit is intended for postgraduate students with a non-macroeconomics background. It is a core unit of both the Postgraduate Diploma in Applied Economics and the Postgraduate Certificate in Applied Economics. It is also a qualifying unit for entry into the Master of Economics and Master of Commerce (Economics) program. Whilst the unit requires no previous knowledge, it is an intensive, accelerated course, which aims to bring the students to an intermediate level of macroeconomics.

**Credit points: 4**

### LEARNING OUTCOMES:

The unit-specific skills that ECON823 seeks to impart are an analytical and critical approach to the theory of income determination in closed and open economies, to the conduct of macroeconomic policy, to the various competing theories explaining economic outcomes, and to the interpretation of economic data.. This unit also seeks to develop generic skills: in particular, skills of critical analysis via evaluation and synthesis of lecture material and course reading; literacy, numeracy and information technology skills; communication skills; and problem-solving skills via the tutorial exercises program.

### LECTURER

**Marc Lombard**, ECON823 Convenor  
Room: E4A-436,  
Telephone: 9850 8501,  
Email: [marc.lombard@mq.edu.au](mailto:marc.lombard@mq.edu.au)

**Consultation times** will be announced at the beginning of the course.

### LECTURES/TUTORIALS

There will be one three-hour session each week, on **Thursdays, 6-9 pm**, in Room C5A-307

It is essential for the successful completion of this unit that:

- 1) Students **attend all sessions**, as the examination/tests will focus on material discussed in these sessions
- 2) Students be conversant, **each week**, with the concepts and issues presented during lecture time, and are acquainted with the recommended reading material.

## ASSESSMENT

The assessment will consist of:

- **Class tests** worth 40% of the marks.  
Dates of class tests will be announced at the beginning of the semester.
- **A final examination** (2 hours), covering the whole course, worth 60% of the marks

Absence from class tests will result in a mark of zero, unless absence is supported by acceptable documented evidence. In this case, the final exam mark will be converted to a higher percentage of the total marks.

### **NOTE:**

- 1) It is the policy of the Economics Department that students must pass the final examination in order to successfully complete a unit
- 2) It is also Macquarie University policy not to set early examinations for individual or group of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period.

### **GRADES**

The following range of standardised numerical grades applies as follows:

HD = High Distinction	85-100
D = Distinction	75-84
Cr = Credit	65-74
P = Pass	50-64
PC = Conceded Pass	45-49
F = Fail	0-44

Raw marks are given on each assessment task. The scaled marks are then derived from raw marks. The student's grade of achievement in a unit is based on an assessment of all relevant work in the unit including performance at examinations

## **RECOMMENDED TEXT AND REFERENCES**

There is no set textbook for this unit. The following references (in alphabetical order) should prove useful. They are all available in the reserve section of the library:

- Bernanke, B., Olekalns, N., Frank, R. (2008), **Principles of Macroeconomics**, 2<sup>nd</sup>. ed., McGraw Hill
- Blanchard, O., Sheen, J. (2009), **Macroeconomics**, 3<sup>rd</sup> ed., Pearson Prentice Hall
- Dornbusch, Bodman, Crosby, Fischer, Startz (2006), 2<sup>nd</sup> ed., **Macroeconomics**, McGraw Hill
- Hubbard, Garnett, Lewis, O'Brien (2008), **Macroeconomics**, Pearson
- Littleboy and Taylor (2006), **Macroeconomics**, 3<sup>rd</sup> ed., Wiley

- Mankiw, G. (2007), **Macroeconomics**, 6<sup>th</sup> ed., Worth
- McTaggart, D. Findlay, C. and Parkin M.(2007), **Macroeconomics**, 5<sup>th</sup> ed., Pearson
- Sloman, J. and Norris, K. (2002), **Macroeconomics**, 2<sup>nd</sup> edition, Prentice Hall

### **Statistical data:**

- Australian Bureau of Statistics, *Australian Economic Indicators*, monthly
- Australian Parliamentary Library, *Monthly Economic and Social Indicators*
- Reserve Bank of Australia, *Bulletin*, monthly
- Commonwealth of Australia, *Budget Paper No 1*, AGPS, annually
- OECD, *Main Economic Indicators*, quarterly
- OECD, *Economic Outlook*, semi-annually

### **Useful websites**

- Australian Bureau of Statistics: [www.abs.gov.au](http://www.abs.gov.au)
- Australian Parliamentary Library: [www.aph.gov.au](http://www.aph.gov.au)
- Australian Treasury: [www.treasury.gov.au](http://www.treasury.gov.au)
- Reserve Bank of Australia: [www.rba.gov.au](http://www.rba.gov.au)
- OECD: [www.oecd.org](http://www.oecd.org)
- World Bank: [www.worldbank.org](http://www.worldbank.org)

## **LECTURE PROGRAM**

### **Topic 1: MACROECONOMIC MEASUREMENT AND PERFORMANCE**

Interrelation of Major Macroeconomic Objectives  
 National Accounts  
 International comparisons  
 Economic Growth  
 Inflation  
 Unemployment  
 External Sector

### **Topic 2: ECONOMIC FLUCTUATIONS**

Business Cycle Analysis  
 Income and Expenditure Analysis  
 Consumption and Saving  
 Investment  
 Expenditure Multiplier  
 Inflationary and Deflationary Gaps  
 Aggregate Supply and Demand  
 Stabilisation Policy

### **Topic 3: MONETARY SECTOR & MONETARY POLICY**

Money Supply & Money Demand  
 Credit Creation  
 The Role of the Reserve Bank  
 Interest Rates  
 Monetary Transmission Mechanism  
 Effects of Changes in Monetary Policy

**Topic 4: INFLATION and UNEMPLOYMENT**

Effects of Inflation  
Causes of Inflation  
Deflationary Policies  
Measurement of Unemployment  
The Labour Force  
Causes of Unemployment: Classical, Keynesian, New Classical  
The Philips Curve

**Topic 5: FISCAL POLICY**

The Budget: Structural and Cyclical Components  
Financing the Budget Deficit  
Public Debt & Ricardian Equivalence  
"Crowding out" and "Crowding in"  
Balanced Budget Multiplier  
Taxes and Incentives  
Taxes and Government Revenue

**Topic 6: EFFECTIVENESS OF MACROECONOMIC POLICY**

The IS-LM Model  
Policy Mix  
Monetary and Fiscal Policy: Lags and Inflation

**Topic 7: SCHOOLS OF THOUGHT**

Macroeconomic Controversies  
Classical & Neoclassical  
Keynesian, New and Post Keynesian  
Monetarist, New Classical

**Topic 8: ECONOMIC GROWTH**

Output Gap  
Sources of Economic Growth  
Theories of Economic Growth  
Policies to Promote Economic Growth

**Topic 9: EXTERNAL SECTOR**

Balance of Payments  
Trade and Elasticities  
Policy Responses to Current Account Imbalances  
Do Current Account Deficits Matter?  
The Foreign Debt Issue  
The Australian Experience

**Topic 10: INTERNATIONAL MONETARY SYSTEMS**

The Foreign Exchange Market  
Choice of Exchange Rate Regime  
The Mundell-Fleming Model  
Macroeconomic Policy and Exchange Rate Regimes  
Misalignment, Insulation and Inflation Dependency  
Exchange Rate Movements and Currency Crises

**NOTE:** The numbering of topics above is not related to the number of lecture weeks. Some topics are shorter/longer than others.

### **STUDENT SUPPORT SERVICES**

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

### **BESS**

The (Faculty of) **B**usiness and **E**conomics **S**tudent **S**ervices is a drop-in centre for students who are taking units in the Faculty of Business and Economics. It is located in **Room 106, Building E4B**.

W: [http://www.efs.mq.edu.au/student\\_support/BESS](http://www.efs.mq.edu.au/student_support/BESS)

Talk to Peer Advisers:

Phone: +61 (02) 9850 8450

Opening hours during semester (including mid-semester breaks and the exam period):

Mon-Thur: 9 am- 6pm

Fridays: 9 am- 5pm

Out of semester:

Monday-Friday, 9am-5pm

### **PLAGIARISM**

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own". Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found on the web at: <http://www.student.mq.edu.au/plagiarism/>. Penalties may include a deduction of marks, failure in a unit, and/or referral to the University Discipline Committee.

### **ENQUIRIES**

Any enquiries about the unit should be directed to **Marc Lombard**, lecturer-in-charge, room E4A-436, tel. 9850 8501, email: [marc.lombard@mq.edu.au](mailto:marc.lombard@mq.edu.au)