



MACQUARIE UNIVERSITY

Division of Economic and Financial Studies

UNIT OUTLINE

**ECON823 - MACROECONOMICS**

**March 2003**

**Marc Lombard**  
Lecturer-in-Charge

# ECON823 - MACROECONOMICS

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UNIT OUTLINE

## Unit description

This unit is intended primarily for postgraduate students with a non-macroeconomic 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.

## LECTURES/TUTORIALS

There will be one three-hour session (consisting of a two-hour lecture and one-hour tutorial), each week, on **Thursdays, 5-8 pm, in Room W5C-311.**

## LECTURER

**Marc Lombard,**

Room C5C-389, Ph.: 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.

## ASSESSMENT

The assessment will consist of:

- A mid-semester test (in lecture week 5), worth 20% of the marks
- Tutorial questions, worth 10%
- A final examination (2 hours) covering the whole course, worth 70%

## Important Notice

It is **essential** for the successful completion of this course that:

1. Students attend all sessions, as the examination includes material discussed in the lectures
2. Students are fully conversant, **each week**, with the concepts and issues presented during lecture time.
3. Students are acquainted with the recommended reading material.

## **LECTURE PROGRAM**

### **Topic 1 - Introduction to Macroeconomics**

- Economic Problem
- Real vs Nominal Values
- Economic Systems
- Major Macroeconomic Objectives

### **Topic 2 - Economic Growth**

- Circular Flow of Income
- Business Cycle
- Calculating Gross Domestic Product
- Interpretation of International Comparisons
- Potential Growth and Output Gap

### **Topic 3 - Unemployment**

- Measurement
- Causes
- Policies to Reduce Unemployment

### **Topic 4 - Inflation**

- Measuring Inflation
- Effects
- Causes
- Deflationary Policies

### **Topic 5 - Income and Expenditure**

- Consumption and Saving
- Investment
- Expenditure Multiplier
- Inflationary and Deflationary Gaps

### **Topic 6 - Monetary Sector & Monetary Policy**

- Money Supply & Money Demand
- Credit Creation
- Open Market Operations
- Interest Rates
- Monetary Transmission Mechanism

### **Topic 7 - Fiscal Policy**

- The Budget: Structural and Cyclical Components
- Financing the Budget Deficit
- Impact of Expenditure and Taxation
- Public Debt

### **Topic 8 - Effectiveness of Macroeconomic Policy**

- IS-LM Model
- Issues in Fiscal Policy: "Crowding out" vs "Crowding in"
- Fiscal Consolidation vs Fiscal Expansion

**Topic 9 – Schools of Thought**

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

**Topic 10 - Aggregate Supply and Demand (AS & AD)**

Classical and Keynesian AS curves  
AS & AD shocks  
The Philips Curve

**Topic 11 - External Sector**

Balance of Payments  
Trade and Inelasticities  
Exchange Rates

**Topic 12 – International Monetary Systems**

Macroeconomic Policy and Exchange Rate Regimes (IS-LM-BP)  
Insulation and Monetary Independence  
Inflation Rate Dependency and Purchasing Power Parity  
Causes of Exchange Rate Volatility  
Policy Responses to Current Account Imbalances  
Do Current Account Deficits Matter?

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

**REFERENCES****Recommended text:**

Sloman, J. and Norris, K. (2002), *Macroeconomics*, 2<sup>nd</sup> edition, Prentice Hall

**Additional references:****• Macroeconomic texts:**

- McTaggart, D., Findlay, C. and Parkin, M. (2000), *Macroeconomics*, Addison Wensley Longman, Sydney
- Dornbusch, R, Fischer, Startz (2001), *Macroeconomics*, 8<sup>th</sup> ed. Australian Edition, McGraw Hill
- Blanchard, O. (1997), *Macroeconomics*, Prentice Hall, Sydney

**• General references on the Australian economy:**

- Lewis, Garnett, Hawtrey & Treadgold (2003), *Issues, Indicators and Ideas*, 3<sup>rd</sup> ed., Addison Wesley
- Kriesler, P. (ed.) (1999), *The Australian Economy 3*, Allen and Unwin,

**• Statistical data:**

- Australian Bureau of Statistics, *Australian Economic Indicators*, monthly
- 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 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)
- The Economist: [www.economist.com](http://www.economist.com)

**Reading Guide**

Textbook: Sloman & Norris (2002), *Macroeconomics*, 2<sup>nd</sup> edition:

- **Introduction to Macroeconomics:** ch.1, 14 (pp.318-21)
- **Economic Growth:** ch. 14 (pp.321-342)  
Lombard, M. (2000), "Economic Powers and Standards of Living", *Economics*, Vol.36, no.1 (\*)
- **Unemployment:** ch.15.1  
Lombard, M.(1998), "Unemployment in Australia: The Effects of Macroeconomic Policies", *Journal of Australian Political Economy*, No.41, pp64-76 (\*)  
Lombard, M. (1994), "Sources of Unemployment: Myths or Reality?" *Economic Papers*, Vol.13, No.2, June, 92-96 (\*)
- **Inflation:** ch.15.2
- **Income and Expenditure:** ch.17
- **Monetary Sector:** ch. 18
- **Fiscal Policy and Monetary Policy:** ch.19
- **Schools of Thought:** ch.16
- **Aggregate Supply and Demand:** ch.20
- **External Sector:** ch. 15.3, ch.15.4, ch.23  
Lombard, M. (2002), "Trends in the External Stability of the Australian Economy", *EcoDate*, Vol.16, No.1, March
- **International Monetary Systems:** ch.23

(\*) copies are available in ERIC

**ENQUIRIES**

Any enquiries about the unit should be directed to **Marc Lombard**, lecturer-in-charge, room C5C-389, tel. 9850 8501, email: [marc.lombard@mq.edu.au](mailto:marc.lombard@mq.edu.au)