

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

UNIT OUTLINE

SEMESTER 1, 2006

ECON823 MACROECONOMICS

UNIT CONVENOR: BILL JUNOR

I. UNIT DESCRIPTION:

This unit is concerned with macroeconomic theory and policy issues. Topics covered include the determination of aggregate output and cyclical fluctuations in economic activity, saving and investment, the monetary sector, fiscal and monetary policy, the external sector, the balance of payments and exchange rates, and, inflation and unemployment.

ECON823 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) programs. Whilst the unit requires no previous knowledge, it is an intensive, accelerated course that aims to bring students to an intermediate level of macroeconomics.

II. 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, and to the various competing theories of inflation and unemployment. 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.

III. LECTURE TIME AND LOCATION:

Time – Thursday 5pm – 8pm

Location – W5C-311

IV. TEACHING STAFF:

Bill Junor (Lecturer-in-charge)

E5A-412 (X4766)

email: wjunor@efs.mq.edu.au

V. ASSESSMENT:

Two class tests (in weeks 5 and 9; 1 hour duration)	30%
Tutorial questions (Exercise sets 1 to 10 inclusive)	10%
Final examination (2 hours duration)	60%

VI FINAL EXAMINATION:

The final examination in this unit will be held during the official university examination period at the end of the semester (14 June – 30 June inclusive). You are required to present yourself for examination at the time and place designated in the examination timetable.

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at <http://www.reg.mq.edu.au/Forms/APSCon.pdf>

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups 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.

VI. TEXTBOOK:

There is no textbook for this unit. The following references should prove useful:

Stegman, T. and Junor, B. (1993), *Introductory Macroeconomics*, Harcourt Brace, Sydney. [S+J]

Bernanke, B.S., Olekalns, N. and Frank, R.H. (2005), *Principles of Macroeconomics*, McGraw-Hill Australia, Sydney. [B,O+F]

Littleboy, B. and Taylor, J.B. (2006), *Macroeconomics*, 3rd edition, Wiley, Sydney. [L+T]

A more advanced text is:

Gordon, R.J. (2006), *Macroeconomics*, 10th edition, Pearson, Sydney. [G]

Up-to-date commentaries and data on the Australian economy can be found in the following:

Reserve Bank of Australia, *Bulletin*, published monthly;

Australian Bureau of Statistics, *Australian Economic Indicators*, ABS Catalogue No. 1350.0, published monthly; and,

Department of the Treasury, *Economic Round-up*, AGPS, Canberra, published quarterly.

VII. COURSE REQUIREMENTS:

Students should attend all lectures and tutorials. There will be one three-hour session (lectures and tutorials) each week on Thursday, 5pm to 8pm in room X5B-039.

A passing grade in this unit requires i) a pass in the final examination; and, ii) satisfactory performance in the other two components of the assessment (two class tests and ten exercise sets).

VIII. 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 policies on plagiarism. These can be found on the web at <http://www.student.mq.edu.au/plagiarism/> or in the *Handbook of Postgraduate Studies 2005* (pp.158-9).

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

IX. UNIVERSITY POLICY ON GRADING:

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

For an explanation of the policy see:

<http://www.mq.edu.au/senate/MQUonly/Issues /Guidelines2003.doc> or
<http://www.mq.edu.au/senate/MQUonly/Issues /detailedguidelines.doc>

X. COURSE OUTLINE:

TOPIC	READING
1. Introduction to macroeconomics	S+J, Ch.1. B,O+F, Ch.1. L+T, Ch.1. G, Ch.1.
2. Output and National Accounting	S+J, Ch.3. B,O+F, Chs.3,4. L+T, Chs.2,3. G, Ch.2.
3. The Income-Expenditure Model A) Macroeconomic equilibrium B) The Simple Keynesian Multiplier model C) Extensions to the Simple Keynesian Multiplier model	S + J, Chs.4,5,6 (6.1 - 6.4, 6.8 - 6.11) B,O+F, Chs.6,7 (incl. Appendices 7A, 7B). L+T, Chs.7,8. G, Ch.3 (pp.57-79).
4. Consumption theory	S+J, Chs.5 (5.2),7 (7.1-7.2). B,O+F, Ch.7 (7.2.2). L+T, Ch.7 (pp.130-131). G, Ch.3 (pp.61-65),15.
5. Investment theory	S+J, Ch.7 (7.3-7.6). B,O+F, Ch.4 (4.5). G, Ch.3 (pp.79-83),16.
6. Demand for money and the money market	S+J, Chs. 8 (8.1),10 (10.1-10.2, 10.5). B,O+F, Ch.8,9. L+T, Ch.6,11(pp.223-225) G, Ch.4 (pp.98-101),13.
7. Supply of money	S+J, Chs.8,9. B,O+F, Chs.8,9. L+T, Ch.6. G, Ch.4 (pp.94-98),13.
8. The IS – LM model	S+J, Ch.11. G, Ch.3 (pp.83-87),4.

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| 9. | Monetary and fiscal policy | S+J, Chs.6 (6.5-6.7, 6.12),11 (11.8).
B,O+F, Chs.7 (7.11,7.12),9.
L+T, Chs.10,11,12,13.
G, Ch.4 (pp.105-122),5. |
| 10. | The <i>AS – AD</i> model | S+J, Ch.12.
B,O+F, Ch.10.
L+T, Ch.9.
G, Ch.7. |
| 11. | Inflation and unemployment | S+J, Chs.15,16.
B,O+F, Chs.5,10.
L+T, Chs.5,6.
G, Ch.8,9. |
| 12. | The external sector, the balance of payments and exchange rates | S+J, Chs.13,14.
B,O+F, Chs.15,16.
L+T, Ch.15.
G, Ch.6. |

XI. UNIT CALENDAR

Lecture	Lecture Topic	Tasks
1 2 March	Introduction to macroeconomics; Output and National Accounting	
2 9 March	Macroeconomic equilibrium; The Simple Keynesian Multiplier model	Submit Exercise Set 1
3 16 March	Extensions to the Simple Keynesian Multiplier model	Submit Exercise Set 2
4 23 March	Consumption theory; Investment theory	Submit Exercise Set 3
5 30 March	Demand for money and the money market	First class test 5pm – 6pm
6 6 April	Demand for money and the money market (continued).	Submit Exercise Set 4
7 13 April	Supply of money	Submit Exercise Set 5
Mid-semester break: 14 April – 30 April		
8 4 May	The IS – LM model	Submit Exercise Set 6
9 11 May	Monetary and fiscal policy	Second class test 5pm – 6pm
10 18 May	The <i>AS – AD</i> model; Inflation and unemployment	Submit Exercise Set 7
11 25 May	Inflation and unemployment (continued)	Submit Exercise Set 8
12 1 June	Inflation and unemployment (continued); The external sector, the balance of payments and exchange rates	Submit Exercise Set 9
13 8 June	The external sector, the balance of payments and exchange rates (continued).	Submit Exercise Set 10

The Exercise Sets are to be handed in at the beginning of each lecture in Weeks 2, 3, 4, 6, 7, 8, 10, 11, 12 and 13. Exercise sets 1 to 9 will be marked and returned in the following week's lecture; exercise set 10 will be returned by post. All exercise sets contain several multiple-choice questions that are representative of the multiple-choice questions that will be included in the two within-semester examinations and the final examination. Your answers to these questions in the exercise sets should include the response you believe to be correct (A, B, C or D) **together with a brief reason for nominating that response as the correct one.**