



MACQUARIE UNIVERSITY

Division of Economic and Financial Studies

UNIT OUTLINE

ECON823 - MACROECONOMICS

February 2007

Marc Lombard
Unit Convenor

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, 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.

LECTURER

Marc Lombard, ECON823 Convenor
Room E4A-436,
Telephone: 9850 8501, Email: 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, 5-8 pm**, in Room W5C-334.

ASSESSMENT

The assessment will consist of:

- Mid-semester tests, worth 30% of the marks
- Tutorial questions, worth 10%
- A final examination (2 hours) covering the whole course, worth 60%

Important Notice

It is highly recommended that:

1. Students **attend all sessions**, as:
 - a) test and examination include material discussed in the lectures
 - b) there is an on-going assessment during tutorials
2. Students be conversant, each week, with the concepts and issues presented during lecture time, and are acquainted with the recommended reading material.

Final Examination

It is the policy of the Economics Department that **students need to pass the final examination in order to successfully complete a unit**

It is also 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.

RECOMMENDED TEXT AND REFERENCES

Prescribed text:

McTaggart, D., Findlay, C. and Parkin M.(2007), **Macroeconomics**, 5th ed., Pearson

Additional lecture notes will be provided on a weekly basis

Additional references:

Macroeconomic texts:

- Littleboy and Taylor (2006), **Macroeconomics**, 3rd ed., Wiley
- Bernanke, Oleskals, Frank (2005), **Principles of Macroeconomics**, McGraw Hill
- Dornbusch, Bodman, Crosby, Fischer, Startz (2006), **Macroeconomics**, McGraw Hill
- Blanchard, O., J. Sheen (2004), **Macroeconomics**, Pearson Prentice Hall
- Sloman, J. and Norris, K. (2002), **Macroeconomics**, 2nd edition, Prentice Hall

General references on the Australian economy:

- Lewis, Garnett, Hawtrey & Treadgold (2003), *Issues, Indicators and Ideas*, 3rd ed., Addison Wesley

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
- Australian Parliamentary Library: www.aph.gov.au
- Australian Treasury: www.treasury.gov.au
- Reserve Bank of Australia: www.rba.gov.au
- OECD: www.oecd.org
- World Bank: www.worldbank.org
- The Economist: www.economist.com

LECTURE PROGRAM and READING GUIDE

Note:

For all tests/examination purposes, the required reading is in addition to notes provided in the lectures

Topic 1 - Introduction to Macroeconomics

Overall view

Economic Systems

Major Macroeconomic Objectives

Reading: McTaggart et al (2007), chapters 1, 19

Topic 2 - Economic Growth

Real vs Nominal Values, ch.21 (pp.492-95)

Circular Flow of Income, ch.20 (pp.459-61)

Business Cycle, ch.21 (pp.480-81)

National Accounts ,ch.20 (pp.461-71)

Interpretation of International Comparisons (lecture notes)

Reading: McTaggart et al (2007), ch. 20, 21

Topic 3 - Income and Expenditure

Consumption and Saving

Investment

Expenditure Multiplier

Inflationary and Deflationary Gaps

Reading: McTaggart et al (2007), ch. 24

Topic 4 - Aggregate Supply and Demand (AS & AD)

Classical and Keynesian AS curves

AS & AD shocks

Reading: McTaggart et al (2007), ch. 22

Topic 5 - Unemployment

Measurement

The Labour Force

Causes of Unemployment

Policies to Reduce Unemployment

Reading: McTaggart et al (2007), ch. 21 (pp.482-91), 23

Topic 6 - Inflation

Measuring Inflation , ch. 21(pp.492-95)

Effects

Causes

Deflationary Policies

The Philips Curve

Reading: McTaggart et al (2007), ch. 29

Topic 7 - Fiscal Policy

The Budget: Structural and Cyclical Components

Financing the Budget Deficit

Impact of Expenditure and Taxation

Public Debt

Reading: McTaggart et al (2007), ch. 25

Topic 8 - Monetary Sector & Monetary Policy

Money Supply & Money Demand

Credit Creation

Interest Rates

Monetary Transmission Mechanism

Reading: McTaggart et al (2007), ch. 26, 27

Topic 9 - Effectiveness of Macroeconomic Policy

IS-LM Model

Issues in Fiscal Policy: "Crowding out" vs "Crowding in"

Tax and Incentives

Reading: McTaggart et al (2007), ch. 25

Topic 10 – Schools of Thought

Macroeconomic Controversies

Classical & Neoclassical

Keynesian, New and Post Keynesian

Monetarist, New Classical

Reading: McTaggart et al (2007), ch. 22 (pp.520-21), ch. 31

Topic 11 – International Monetary Systems

The Foreign Exchange Market

Choice of Exchange Rate Regimes

Macroeconomic Policy and Exchange Rate Regimes (IS-LM-BP)

Exchange Rate Movements and Currency Crises

Reading: McTaggart et al (2007), ch. 28

Topic 11 - External Sector

Balance of Payments

Trade and Elasticities

Policy Responses to Current Account Imbalances

Do Current Account Deficits Matter?

External Debt

Reading: McTaggart et al (2007), ch. 32

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

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 which 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. 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>

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.

STUDENT SUPPORT SERVICES

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

ERIC (EFS resource and Information Centre) – E4B-106.

Direct to Peer Advisers: 9850 x9958, eric@efs.mq.edu.au

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