



MACQUARIE UNIVERSITY
Division of Economic and Financial Studies

UNIT OUTLINE

ECON823 - MACROECONOMICS

February 2008

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, 6-9 pm**, in Room W5C-213.

ASSESSMENT

The assessment will consist of:

- Mid-semester tests, worth 40% of the marks
- A final examination (2 hours) covering the whole course, worth 60%

Important Notice

It is highly recommended that:

1. Students **attend all sessions**, as test and examination include material discussed in the lectures
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

There is no set textbook for this unit. The lecture notes are the prescribed text. The following references (in alphabetical order) should prove useful:

- Bernanke, Olekalns, Frank (2005), **Principles of Macroeconomics**, McGraw Hill
- Blanchard, O., Sheen, J. (2007), **Macroeconomics**, 2nd ed., Pearson Prentice Hall
- Dornbusch, Bodman, Crosby, Fischer, Startz (2006), 2nd ed., **Macroeconomics**, McGraw Hill
- Littleboy and Taylor (2006), **Macroeconomics**, 3rd ed., Wiley
- McTaggart, D., Findlay, C. and Parkin M. (2007), **Macroeconomics**, 5th ed., Pearson
- Sloman, J. and Norris, K. (2002), **Macroeconomics**, 2nd 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
- 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

Topic 1 - Introduction to Macroeconomics

- Overall view
- Economic Systems
- Major Macroeconomic Objectives

Topic 2 - Economic Growth & National Accounts

- Circular Flow of Income
- Business Cycle
- National Accounts
- Economic Growth
- Interpretation of International Comparisons

Topic 3 - Income and Expenditure

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

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

- Classical and Keynesian AS curves
- AS & AD shocks

Topic 5 - Unemployment

- Measurement
- The Labour Force
- Causes of Unemployment: Keynesian, Classical, New Classical

Topic 6 - Inflation

- Measuring Inflation
- Effects
- Causes
- Deflationary Policies
- The Philips Curve

Topic 7 - 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

Topic 8 - Monetary Sector & Monetary Policy

Money Supply & Money Demand
Credit Creation
The Role of the Reserve Bank
Interest Rates
Effects of changes in monetary policy

Topic 9 - Effectiveness of Macroeconomic Policy

IS-LM Model
Theory and practice

Topic 10 – Schools of Thought

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

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

Topic 11 - External Sector

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

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 be 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