

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

UNIT OUTLINE

2003

ECON311 MACROECONOMIC POLICY

<http://www.econ.mq.edu.au/courses/econ311/>

I. COURSE DESCRIPTION:

This course is concerned with macroeconomic policy issues. Macroeconomic theory will be employed to provide the basis for analysis of a number of current issues in policy design and in fiscal, monetary, wages, and exchange rate policies, with particular reference to the Australian economy.

The unit-specific skills that ECON311 seeks to impart are an analytical and critical approach to the various competing theories of macroeconomic policy and the policy regimes that have been pursued in Australia and in other industrial economies. This unit also seeks to develop generic skills: in particular, skills of critical analysis via evaluation and synthesis of lecture material and course reading; as well as literacy, numeracy and information technology skills, communication skills, and problem-solving skills via the essay and the seminar program.

II. LECTURERS:

Weeks 1 - 8
Bill Junor (Lecturer-in-charge)
C5C-301 (X9469)
email: wjunor@efs.mq.edu.au

Weeks 9 - 13
Marc Lombard
C5C-389 (X8501)
email: mlombard@efs.mq.edu.au

III. ASSESSMENT:

Final Examination (3 hours)	70%
Essay	20%
Seminar participation	10%

A passing grade in this unit requires **both** a) a pass mark, or better, in the final examination; **and**, b) satisfactory performance in the remaining two components of the assessment.

IV. LECTURES:

Day:	Tuesday	11am – 1pm	C5C T2
Evening:	Tuesday	6pm – 8pm	W6B 345

V. COURSE REQUIREMENTS:

Students should attend all lectures and seminars. Seminars will meet in weeks 3, 5, 7, 9, 11 and 13 only.

Each student is required to submit an essay on one of the two topics listed in section VI. The due date for the essay is Tuesday 7 October. One mark per day will be deducted from the final mark for essays submitted after the due date without an approved extension of time. Applications for an extension of time for the submission of essays must be made, *in writing*, to the tutor-in-charge, Bill Junor (C5C-301), prior to the due date.

VI. ESSAY:

All essays are due no later than 7.30pm on Tuesday, 7 October, 2003. They should be placed in the ECON311 essay box in the EFS Resource and Information Centre (C5C-244). **NOTE THAT THE DUE DATE FOR THE ESSAY IS IN THE LAST WEEK OF THE MID-SEMESTER BREAK.**

The length of the essay should be 2000 words (+ or – 5%).

Students must keep copies of their essay (including a disk copy).

Essays must be typed.

Correct forms of referencing must be followed.

The essay cover sheet (attached to this study guide) is to be stapled to the front of your essay. All details on the front of the cover sheet should be completed and the cover sheet declaration regarding plagiarism on the back of the cover sheet ***must*** be signed.

ESSAYS SUBMITTED WITHOUT THE COVER SHEET DECLARATION BEING SIGNED WILL NOT BE MARKED.

Essays should exhibit evidence of wide and critical reading, and students are expected to seek out relevant references. It is expected that, where the topic requires it, essays will incorporate the *latest* relevant data. Do **not** cut and paste data series and graphs from other sources - generate your own! Apart from the statistical data sources noted in Section IX below, data from several sources are also available from the ECONDATA ‘**dx**’ database on the EFS network. Instructions on how to access ‘**dx**’, select and modify data, and produce graphs will be distributed in a separate handout.

The ‘ECONLIT’ database in the Library website is a good starting point to search for essay references by keyword, author, etc.

ESSAY TOPICS:

1. INFLATION TARGETING AND ASSET PRICE INFLATION

“Movements in asset prices (such as equity or house prices or the exchange rate) can have significant effects on real economic activity. Yet the consensus view of monetary policy is that central banks should set interest rates in response to forecast inflation, and (possibly) the output gap, but that they should not react directly to movements in asset prices”. CEPR (2000), “Asset Prices and Central Bank Policy”, *Bulletin*, Centre for Economic Policy Research, London, 1-5 (http://www.cepr.org/pubs/Bulletin/076/asset_prices.htm)

Critically evaluate this consensus view of monetary policy. On balance, do you think that central banks should take asset prices into account in their inflation-targeting framework? Your essay should include, inter alia, time-series of Australian asset price data and consideration of the relationship, if any, between asset price inflation and expected inflation and/or actual inflation.

2. FISCAL POLICY AND ECONOMIC ACTIVITY

Auerbach (2002) asks the question “is there a role for discretionary fiscal policy?”. Critically evaluate the relevant theoretical and empirical evidence relating to the stabilising effects of discretionary fiscal policy and, based on your evaluation, provide an answer to Auerbach’s question.

Auerbach, A.J. (2002), “Is There a Role for Discretionary Fiscal Policy?”, in Federal Reserve Bank of Kansas City, *Rethinking Stabilization Policy*, Kansas City, 109-150. (<http://www.kc.frb.org/PUBLICAT/SYMPOS/2002/pdf/S02auerbach.pdf>)

WARNING: PLAGIARISM IS A SERIOUS ACADEMIC OFFENCE. STUDENTS WHO PLAGIARISE IN WRITING THEIR ESSAYS WILL BE PENALISED AND MAY BE SUBJECT TO DISCIPLINARY ACTION.

VII. SEMINARS:

Seminars will be held in Weeks 3, 5, 7, 9, 11, and 13 **ONLY**. There are no tutorials in this unit. A separate handout relating to the seminars will be distributed in Week 2.

Each seminar is structured around a single paper in each topic. These papers have been chosen because they a) present provocative and/or controversial points of view, and b) link up with material covered in lectures and/or the required reading.

It is expected that **ALL** students will have read the nominated paper prior to each seminar and attend the seminars prepared to answer all of the set questions on each paper. The 10% of the final mark for seminar participation will be assigned for your performance in the seminars. No marks will be assigned for attendance. However, since you cannot perform if you are not present, you will lose 2% points for each seminar that you fail to attend.

THE MATERIAL COVERED IN THE SEMINARS IS EXAMINABLE IN THE FINAL EXAMINATION.

VIII. ECON311 WEB SITE:

The unit web site is intended to play an important role in communicating with ECON311 students outside the lecture/seminar setting. You should ensure that you visit the site on a regular basis either from computers located on campus or via the Internet. The basic course information from this Study Guide will be posted on the public pages of the web site. As they become available, other distributed handouts dealing with seminar topics/readings and hints on using the 'dx' database, will also be posted on the web site's public pages.

As well as the public pages there is also a password-protected component of the web site that you login to from the Welcome Page of the ECON311 web page. This part of the site will be used for course announcements, posting of lecture summaries, etc. A bulletin board is also available on which you can post messages relating to the course and queries about material covered in the lectures. These inquiries will be answered by one of the staff teaching in this unit.

To login you require a username and password. Your standard student username and initial password was mailed to you when you enrolled at the beginning of the year. You must change your password within two weeks of the commencement of classes otherwise your account will be disabled. Your new password should be between 6 and 8 characters in length, must contain both letters and numbers, and is case-sensitive. If you have forgotten your password or your account has been disabled, it can be reset by the Library Information Technology Customer Support Desk (ITCSD) or by the Office of Computing Services (OCS) Helpdesk. If you did not receive the letter, contact either the Library ITCSD or the OCS Helpdesk.

When you have finished using the web site you must exit by **CLOSING** Netscape. If you do not close Netscape, other people can continue to use your account, which means that they can access your mail, bulletins and other password-protected material.

IX. REFERENCE BOOKS:

There is no textbook for this course.

GENERAL REFERENCES:

Andersen, P., Dwyer, J. and Gruen, D., eds. (1995), *Productivity and Growth*, Reserve Bank of Australia, Sydney.

Argy, V. (1992), *Australian Macroeconomic Policy in a Changing World Environment*, Allen and Unwin, Sydney.

Blundell-Wignall, A., ed. (1993), *The Exchange Rate, International Trade and the Balance of Payments*, Reserve Bank of Australia, Sydney.

Blundell-Wignall, A., ed. (1992), *Inflation, Disinflation and Monetary Policy*, Reserve Bank of Australia, Sydney.

Debelle, G. and Borland, J., eds. (1998), *Unemployment and the Australian Labour Market*, Reserve Bank of Australia, Sydney and Centre for Economic Policy Research, Australian National University, Canberra.

Grenville, S., ed. (1990), *The Australian Macroeconomy in the 1980s*, Reserve Bank of Australia, Sydney.

Gruen, D. and Shrestha, S., eds. (2000), *The Australian Economy in the 1990s*, Reserve Bank of Australia, Sydney.

Gruen, D. and Gower, L., eds. (1999), *Capital Flows and the International Financial System*, Reserve Bank of Australia, Sydney.

Kriesler, P., ed. (1999), *The Australian Economy 3*, Allen and Unwin, Sydney.

Lowe, P., ed. (1997), *Monetary Policy and Inflation Targeting*, Reserve Bank of Australia, Sydney.

Lowe, P. and Dwyer, J., eds. (1994), *International Integration of the Australian Economy*, Reserve Bank of Australia, Sydney.

Students are required to be familiar with a number of journal articles and other readings. A reading list for the course is set out in Section XI. Guidance to other reading will be provided in lectures.

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 Roundup*, AGPS, Canberra, published quarterly (available online at <http://www.treasury.gov.au/>)

Data relating to Australia and other countries are also available on the Internet. Useful sites include the following:

ABS Time Series Service <http://www.abs.gov.au>

Penn World Tables <http://pwt.econ.upenn.edu/>

Other useful sites include:

Budget Papers for Australia <http://www.treasury.gov.au/>

National Bureau of Economic Research <http://www.nber.org/>

Bill Goffe's Resources for Economists on the Internet <http://rfe.org/>

Google Directory – Economics

http://directory.google.com/Top/Science/Social_Sciences/Economics/

WebEc (World Wide Web Resources in Economics) <http://www.helsinki.fi/WebEc/>

International Centre for Economic Growth <http://www.iceg.org/>

Jerome Levy Economics Institute <http://www.levy.org>

Inomics [contains economics-only search engine] <http://www.inomics.com>

Nouriel Roubini <http://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html>

Paul Krugman <http://www.wss.princeton.edu/~pkrugman/>

Brad DeLong <http://econ161.berkeley.edu/>

X. VICTOR ARGY PRIZE FOR ECON311

This prize commemorates Victor Argy who was Professor of Economics at Macquarie University from 1973 until his death in 1993. The prize, to the value of \$350, is awarded for proficiency in ECON311 and is open to all candidates proceeding to the degree of Bachelor.

XI. COURSE CALENDAR

Week No. Commencing	LECTURE TOPIC	SEMINAR TOPIC/READING
1 July 28	Unemployment and Inflation I	
2 August 4	Unemployment and Inflation II	
3 August 11	The Design of Macroeconomic Policy I	1: The NAIRU Ball, L. and Mankiw, N.G. (2002), "The NAIRU in theory and practice", <i>Journal of Economic Perspectives</i> , 16, Fall, 115-36.
4 August 18	The Design of Macroeconomic Policy II	
5 August 25	Monetary Policy I	2: Policy Design Cross, R. and Strachan, D. (2001), "Three Pillars of Conventional Wisdom", <i>Review of Political Economy</i> , 13, April, 181-200.
6 September 1	Monetary Policy II Fiscal Policy I	
7 September 8	Fiscal Policy II	3: Monetary Policy Arestis, P. and Sawyer, M. (2003), "Can Monetary Policy Affect the Real Economy", <i>Public Policy Brief No 71</i> , The Levy Economics Institute, 7-20.
8 September 15	Policies for Economic Growth	
9 September 22	Wages and Labour Market Policies I	4: Fiscal Policy Miller, S.M. and Russek, F.S. (2003), "The relationship between large fiscal adjustments and short-term output growth under alternative fiscal policy regimes", <i>Contemporary Economic Policy</i> , 21, January, 41-58.
MID-SEMESTER BREAK: SATURDAY 27 SEPTEMBER TO SUNDAY 12 OCTOBER		
ESSAY DUE TUESDAY 7 OCTOBER 7.30PM		
10 October 13	Wages and Labour Market Policies II	
11 October 20	External Policy I	5: Wages and Unemployment Watts, M. (2003), "Wages and Wage Determination in 2002", <i>Journal of Industrial Relations</i> , 45, June, 184-204.
12 October 27	External Policy II	
13 November 3	External Policy III	6: Currency Crises Athukorola, P. and Warr, P. (2002), "Vulnerability to a Currency Crisis: Lessons from the Asian Experience", <i>The World Economy</i> , 25, 33-57.

XII. RECOMMENDED READING:

A * INDICATES THAT THE REFERENCE IS **REQUIRED** READING.

INTRODUCTION – THE AUSTRALIAN MACROECONOMY: POLICY PROBLEMS

Gruen, D. and Stevens, G. (2000), “Australian Macroeconomic Performance and Policies in the 1990s”, in Gruen, D. and Shrestha, S., eds., *The Australian Economy in the 1990s*, Reserve Bank of Australia, Sydney.

Reserve Bank of Australia (2003), “Statement on Monetary Policy”, *Bulletin*, May, 1-54.

1. UNEMPLOYMENT AND INFLATION

* Ball, L. and Mankiw, N.G. (2002), “The NAIRU in theory and practice”, *Journal of Economic Perspectives*, 16, Fall, 115-36.

* Junor, B. (1999), “Inflation in Australia”, in P. Kriesler, ed., *The Australian Economy* 3, Allen and Unwin, Sydney.

* Mitchell, W.F. (2000), “The Causes of Unemployment”, in S. Bell, ed., *The Unemployment Crisis in Australia*, Cambridge University Press, Cambridge.

Akerlof, G., Dickens, W. and Perry, G. (1996), “Low Inflation or No Inflation: Should the Federal Reserve Pursue Complete Price Stability?”, *Challenge*, September-October, 11-17.

Bell, S., ed., (2000), *The Unemployment Crisis in Australia*, Cambridge University Press, Cambridge.

Blanchard, O. and Wolfers, J. (2000), “The Role of Shocks and Institutions in the Rise of European Unemployment: the Aggregate Evidence”, *Economic Journal*, 110, March, C1-C33.

Blanchard, O.J. and Summers, L.H. (1987), “Hysteresis in Unemployment”, *European Economic Review*, 31, January/March, 288-95.

Buiter, W.H. (2003), “Deflation: Prevention and Cure”, *NBER Working Paper 9623*, April, National Bureau of Economic Research, 1-69.
(<http://www.nber.org/papers/w9623>).

- Crosby, M. and Olekalns, N. (1998), "Inflation, Unemployment and the NAIRU in Australia", *Australian Economic Review*, 31, June, 117-29.
- Debelle, G. and Vickery, J. (1998), "Is the Phillips Curve A Curve? Some Evidence and Implications for Australia", *Economic Record*, 74, December, 384-98.
- Dungey, M. and Pitchford, J. (1998), "Prospects for Output and Employment Growth with Steady Inflation", in Debelle, G. and Borland, J., eds., *Unemployment and the Australian Labour Market*, Reserve Bank of Australia, Sydney, and Centre for Economic Policy Research, Australian National University, Canberra.
- Eisner, R. (1997), "A new view of the NAIRU", in Davidson, P. and Kregel, J. (1997), *Improving the Global Economy*, Edward Elgar, Cheltenham.
- Ferri, P., Greenberg, E. and Day, R.H. (2001), "The Phillips curve, regime switching, and the NAIRU", *Journal of Economic Behaviour and Organization*, 46, September, 23-37.
- Galbraith, J.K. (1997), "Time to Ditch the NAIRU", *Journal of Economic Perspectives*, 11, Winter, 93-108.
- Gordon, R. J. (1989), "Hysteresis in History: Was There Ever a Phillips Curve?", *American Economic Review*, 79, May, 220-5.
- Gordon, R.J. (1997), "The Time-Varying NAIRU and its Implications for Economic Policy", *Journal of Economic Perspectives*, 11, Winter, 11-32.
- Gruen, D., Pagan, A. and Thompson, C. (1999), "The Phillips Curve in Australia", *Journal of Monetary Economics*, 44, October, 223-58.
- International Monetary Fund (2003), "*Deflation: Determinants, Risks, and Policy Options – Findings of an Interdepartmental Task Force*", International Monetary Fund, April, 1-67.
- Junankar, P.N. and Kapuscinski, C.A. (1992), "The Costs of Unemployment in Australia", *EPAC Background Paper No.24*, December, AGPS, Canberra.
- Lombard, M. (1998), "Unemployment in Australia: The Effect of Macroeconomic Policies", *Journal of Australian Political Economy*, 41, June, 64-76.
- McTaggart, D. (1992), "The Cost of Inflation in Australia", in A. Blundell-Wignall, ed., *Inflation, Disinflation and Monetary Policy*, Reserve Bank of Australia, Sydney.
- Mankiw, N.G. (2001), "The Inexorable and Mysterious Tradeoff between Inflation and Unemployment", *Economic Journal*, 111, May, C45-C61.

Murphy, K.B. and Topel, R. (1997), "Unemployment and Nonemployment", *American Economic Review*, 87, May, 295-300.

Snower, D.J. (1997), "Evaluating unemployment policies: what do the underlying theories tell us?", in D.J. Snower and G. de la Dehasa, eds., *Unemployment Policy*, Cambridge University Press, Cambridge.

2. THE DESIGN OF MACROECONOMIC POLICY

* Argy, V. (1988), "A Post-War History of the Rules vs Discretion Debate", *Banca Nazionale del Lavoro*, 165, June, 147-77.

* Blinder, A. S. (1987), "The Rules-versus-Discretion Debate in the light of recent experience", *Weltwirtschaftliches Archiv*, 123, 399-413.

* Eisner, R. (1989), "Divergences of Measurement and Theory and Some Implications for Economic Policy", *American Economic Review*, 79, March, 1-13.

Allsopp, C. and Vines, D. (2000), "The Assessment: Macroeconomic Policy", *Oxford Review of Economic Policy*, 16, Winter, 1-32.

Blinder, A.S. (1997), "What Central Bankers Could Learn from Academics - and Vice Versa", *Journal of Economic Perspectives*, 11, Spring, 3-19.

Cross, R. and Strachan, D. (2001), "Three Pillars of Conventional Wisdom", *Review of Political Economy*, 13, April, 181-200.

Forder, J. (2001), "The Theory of Credibility and the Reputation-bias of Policy", *Review of Political Economy*, 13, January, 5-25.

Poole, W. (1970), "Optimal Choice of Monetary Policy Instruments in a Simple Stochastic Macro-Model", *Quarterly Journal of Economics*, 84, May, 197-216.

White, L.H. (1999), *The Theory of Monetary Institutions*, Blackwell Publishers, Oxford, Ch. 10.

3. MONETARY POLICY

- * Bernanke, B.S, and Mishkin, F.S. (1997), “Inflation Targeting: A New Framework for Monetary Policy?”, *Journal of Economic Perspectives*, 11, Spring, 97-116.
- * DeBelle, G. (1999), “Inflation Targeting and Output Stabilisation”, *Research Discussion Paper 1999-08*, June, Reserve Bank of Australia.
- *King, M. (1999), “Challenges for Monetary Policy: New and Old”, in Federal Reserve Bank of Kansas City, *New Challenges for Monetary Policy*, Kansas City, 11-57.
- Arestis, P. and Sawyer, M. (2003), “Can Monetary Policy Affect the Real Economy”, *Public Policy Brief No 71*, The Levy Economics Institute, 7-20.
- Bernanke, B.S. and Gertler, M. (2001), “Should Central Banks Respond to Movements in Asset Prices”, *American Economic Review*, 91, May, 253-7.
- Bernanke, B.S. and Gertler, M. (1999), “Monetary Policy and Asset Price Volatility”, in Federal Reserve Bank of Kansas City, *New Challenges for Monetary Policy*, Kansas City, 77-128.
- Bernanke, B.S. and Gertler, M. (1995), “Inside the Black Box: The Credit Channel of Monetary Policy Transmission”, *Journal of Economic Perspectives*, 9, Fall, 27-48.
- Bordo, M.D. and Jeanne, O. (2002), “Monetary Policy and Asset Prices: Does ‘Benign Neglect’ Make Sense?”, *IMF Working Paper WP/02/225*, December, International Monetary Fund, 1-27.
- Cecchetti, S., Genberg, H. and Wadhvani, S. (2002), “Asset Prices in a Flexible Inflation Targeting Framework”, Federal Reserve Bank of Chicago and the World Bank, Chicago, April.
- Crosby, M. and Milbourne, R. (1999), “Money and Monetary Policy”, in P. Kriesler, ed., *The Australian Economy 3*, Allen and Unwin, Sydney.
- Dennis, R. (2003), “Exploring the Role of the Real Exchange Rate in Australian Monetary Policy”, *Economic Record*, 79, March, 20-38.
- Fischer, S. (1995), “Central-Bank Independence Revisited”, *American Economic Review*, 85, May, 201-6.
- Forder, J. (1999), “Central bank independence: Reassessing the measurements”, *Journal of Economic Issues*, March, 23-40.

- Johnson, D.R. (2002), "The effect of inflation targeting on the behavior of expected inflation: evidence from an 11 country panel", *Journal of Monetary Economics*, 49, November, 1521-38.
- Lee, J. (1999), "Inflation targeting in practice: further evidence", *Contemporary Economic Policy*, 17, July, 332-47.
- MacFarlane, I. (1999), "Australian Monetary Policy in the Last Quarter of the Twentieth Century", *Economic Record*, 75, September, 213-24.
- Meyer, L.H. (2001), "Inflation Targets and Inflation Targeting", *Federal Reserve Bank of St. Louis Review*, 83, November-December, 1-13.
- Milbourne, R. (1990), "Money and Finance", in Grenville, S. ed., *The Australian Macroeconomy in the 1980s*, Reserve Bank of Australia, Sydney.
- Mishkin, F. (1995), "Symposium on the Monetary Transmission Mechanism", *Journal of Economic Perspectives*, 9, Fall, 3-10.
- Nadal-De Simone, F. de A. (2001), "Inflation Targeters in Practice: A Lucky Lot?", *Contemporary Economic Policy*, 19, July, 239-53.
- Orphanides, A. (2002), "Monetary-Policy Rules and the Great Inflation", *American Economic Review*, 92, May, 115-20.
- Pollard, P.S. (1993), "Central Bank Independence and Economic Performance", *Federal Reserve Bank of St. Louis Review*, 75, July-August, 21-36.
- Schwartz, A.J. (2003), "Asset Price Inflation and Monetary Policy", *Atlantic Economic Journal*, 31, March, 1-14.
- Stevens, G. (2003), "Inflation Targeting: A Decade of Australian Experience", Reserve Bank of Australia, *Bulletin*, April, 17-29.
- Svensson, L.E.O. (2002). "Monetary Policy and Real Stabilization", in Federal Reserve Bank of Kansas City, *Rethinking Stabilization Policy*, Kansas City, 261-312.
- Svensson, L.E.O. (2000), "Open-economy inflation targeting", *Journal of International Economics*, 50, February, 155-83.
- Thorbecke, W. (2002), "A Dual Mandate for the Federal Reserve: The Pursuit of Price Stability and Full Employment", *Eastern Economic Journal*, 28, Spring, 255-68.

Walsh, C.E. (2002), "Teaching Inflation Targeting: An Analysis for Intermediate Macro", *Journal of Economic Education*, 33, Fall, 333-46.

4. FISCAL POLICY

* Hemming, R., Kell, M. and Mahfouz, S. (2002), "The Effectiveness of Fiscal Policy in Stimulating Economic Activity – A Review of the Literature", International Monetary Fund, *IMF Working Paper WP/02/208*, December, 1-52.

* Eisner, R. (1989), "Budget Deficits: Rhetoric and Reality", *Journal of Economic Perspectives*, 3, Spring, 73-93.

Alesina, A. and Perotti, R. (1997), "Fiscal Adjustments in OECD Countries: Composition and Macroeconomic Effects", *IMF Staff Papers*, 44, June, 210-48.

Alesina, A. and Perotti, R. (1995), "Fiscal Expansions and Fiscal Adjustments in OECD Countries", *Economic Policy*, 10, October, 205-48.

Arestis, P. and Sawyer, M. (2003), "Reinventing Fiscal Policy", *Working Paper No. 381*, The Levy Economics Institute.

Aschauer, D.A. (1998), "How Should the Surpluses Be Spent?", *Policy Notes 1998/2*, The Levy Economics Institute.

Auerbach, A.J. (2002), "Is There a Role for Discretionary Fiscal Policy?", in Federal Reserve Bank of Kansas City, *Rethinking Stabilization Policy*, Kansas City, 109-150.

Barba, A. (2001), "Rethinking expansionary fiscal retrenchments", *Contributions to Political Economy*, 20, 57-86.

Barro, R. J. (1989), "The Ricardian Approach to Budget Deficits", *Journal of Economic Perspectives*, 3, Spring, 37-54.

Corsetti, G. and Roubini, N. (1996), "European versus American Perspectives on Balanced-Budget Rules", *American Economic Review*, 86, May, 408-13.

Gruen, D. (1997), "Ignorance and Ricardian Equivalence", *Economic Record*, 73, March, 35-44.

Lopez, J.H., Schmidt-Hebbel, K. and Servén, L. (2000), "How Effective is Fiscal Policy in Raising National Saving?", *Review of Economics and Statistics*, 82, May, 226-38.

- Miller, S.M. and Russek, F.S. (2003), "The relationship between large fiscal adjustments and short-term output growth under alternative fiscal policy regimes", *Contemporary Economic Policy*, 21, January, 41-58.
- Nevile, J.W. (2000), "Can Keynesian Policies Stimulate Growth in Output and Employment", in S. Bell, ed., *The Unemployment Crisis in Australia*, Cambridge University Press, Cambridge.
- Nevile, J.W. (1999), "Fiscal Policy 60 years after Keynes", in P. Kriesler, ed., *The Australian Economy 3*, Allen and Unwin, Sydney.
- Nordhaus, W. (1996), "Budget Deficits and National Saving", *Challenge*, 39, March-April, 45-49.
- Palley, T. (2001), "The Case Against Budget Surpluses", *Challenge*, 44, November-December, 13-27.
- Seidman, L. (2001), "Reviving Fiscal Policy", *Challenge*, 44, May/June, 17-42.
- Taylor, J.B. (2000), "Reassessing Discretionary Policy", *Journal of Economic Perspectives*, 14, Summer, 21-36.
- Wren-Lewis, S. (2000), "The Limits to Discretionary Fiscal Stabilization Policy", *Oxford Review of Economic Policy*, 16, Winter, 92-105.

5. POLICIES FOR ECONOMIC GROWTH

- * Economic Planning Advisory Council (1994), "Investment for Growth", *EPAC Background Paper No. 39*, AGPS, Canberra (especially the paper by Dowrick).
- Bureau of Industry Economics (1992), "Recent Developments in the Theory of Economic Growth: Policy Implications", *Occasional Paper 11*, AGPS, Canberra, Ch 6.
- Cornwall, J. and Cornwall, W. (2002), "A demand and supply analysis of productivity growth", *Structural Change and Economic Dynamics*, 13, June, 203-29.
- De Long, J.B. and Summers, L.H. (1992), "Macroeconomic Policy and Long-Run Growth", in Federal Reserve Bank of Kansas City, *Policies for Long-Run Economic Growth*, FRB of Kansas City.
- Tanzi, V. and Zee, H.H. (1997), "Fiscal Policy and Long-Run Growth", *IMF Staff Papers*, 44, June, 179-209.

6. WAGES AND LABOUR MARKET POLICIES

- * Burgess, J., Mitchell, W. and Preston, A. (2003), "The Australian Labour Market in 2002", *Journal of Industrial Relations*, 45, June, 125-150.
- *Watts, M. (2003), "Wages and Wage Determination in 2002", *Journal of Industrial Relations*, 45, June, 184-204.
- * Freeman, R. (1996), "Earnings Inequality", *New England Economic Review*, May-June, 157-68.
- * Nevile, J.W. (1996), "Minimum Wages, Equity and Unemployment", *Economic and Labour Relations Review*, 7, December, 198-212.
- Argy, V. (1992), *Australian Macroeconomic Policy in a Changing World Environment*, Allen and Unwin, Sydney, Chs 11,25.
- Atkinson, A.B. (1998), "The Distribution of Income in Industrialised Countries", in Federal Reserve Bank of Kansas City, *Income Inequality: Issues and Policy Options*, Kansas City.
- Chapman, B. J. and Gruen, F. (1990), "An Analysis of the Australian Consensual Incomes Policy: The Prices and Incomes Accord", ANU, *Centre for Economic Policy Research, Discussion Paper No.221*, Canberra.
- Dowrick, S. and Quiggin, J. (2003), "A Survey of the Literature on Minimum Wages",
February, mimeo.
(<http://ecocomm.anu.edu.au/people/info.asp?surname=Dowrick&firstname=Steve>)
- Gahan, P. and Harcourt, T. (1999), "Australian Labour Market Institutions, 'Deregulation' and the Open Economy", *Economic and Labour Relations Review*, 10, December, 296-319.
- Glyn, A. and Salverda, W. (2000), "Does Wage Flexibility Really Create Jobs?", *Challenge*, January, 32-43.
- Green, R. (1996), "The Death of Comparative Wage Justice in Australia", *Economic and Labour Relations Review*, 7, December, 225-43.
- Peetz, D. (2002), "Individual Contracts, Bargaining and Union Membership", *Australian Bulletin of Labour*, 28, March, 39-52.
- Quiggin, J. (1999), "Globalisation, Neoliberalism and Inequality in Australia", *Economic and Labour Relations Review*, 10, December, 240-259.

Saunders, P. (2001), "Welfare Reform, Work and the Labour Market, *Economic and Labour Relations Review*, 12, June, 151-63.

Zavodny, M. (1999), "Unions and the Wage-Productivity Gap", *Federal Reserve Bank of Atlanta Economic Review*, 2nd Quarter, 44-53.

7. EXTERNAL POLICY

* Argy, V. (1992), *Australian Macroeconomic Policy in a Changing World Environment*, Allen and Unwin, Sydney, Chs 1-3,7,15-18, 24.

* Athukorola, P. and Warr, P. (2002), "Vulnerability to a Currency Crisis: Lessons from the Asian Experience", *The World Economy*, 25, 33-57.

Chiodo, A. and Owyang, M. (2002), "A Case Study of a Currency Crisis: The Russian Default of 1998", *Federal Reserve Bank of St. Louis Review*, November-December, 84, 7-17.

Cooper, R. (1999), "Should Capital Controls Be Banished?", *Brookings Papers on Economic Activity*, 1, 89-141.

Edwards, S. (1999), "How Effective Are Capital Controls?", *Journal of Economic Perspectives*, 13, Fall, 65-84.

Goldfajn, I. And Gupta, P. (2003), "Does Monetary Policy Stabilize the Exchange Rate Following a Currency Crisis?", *IMF Staff Papers*, 50, No.1, 90-114.

Grenville, S. (1999), "Financial Crises and Globalisation", *Economic and Labour Relations Review*, 10, December, 260-277.

Gurtner, F. (2003), "Currency Boards and Debt Traps", *The World Economy*, 26, 209-228.

Hopper, G. (1997), "What Determines the Exchange Rate: Economic Factors or Market Sentiment?", *Federal Reserve Bank of Philadelphia Business Review*, October, 17-29.

Krugman, P. (1991), "Has the Adjustment Process Worked?", *Policy Analyses in International Economics*, Institute for International Economics, 34, October, Washington.

Langmore, J. (1994), "Restoring Order out of Anarchy", *Economic Papers*, 13, June, 61-3.

- Leduc, S. (2001), "Who Cares About Volatility? A Tale of Two Exchange-Rate Systems", *Federal Reserve Bank of Philadelphia Business Review*, 1st Quarter, 16-25.
- Mishkin, F. (1999), "Global Financial Instability: Framework, Events, Issues", *Journal of Economic Perspectives*, 13, Fall, 3-20.
- Rajan, R. (2002), "Exchange Rate Policy Options for Post-Crisis Southeast Asia: Is There a Case for Currency Baskets?", *The World Economy*, 25, 137-163.
- Sneddon Little, J. and Olivei, G. (1999), "Rethinking the International Monetary System: An Overview", *New England Economic Review*, Nov./Dec., 3-24.
- Summers, L. (2000), "International Financial Crises: Causes, Prevention and Cures", *American Economic Review*, 90, May, 1-16.

DIVISION OF ECONOMIC AND FINANCIAL STUDIES

ESSAY COVER PAGE

UNIT: ECON311 MACROECONOMIC POLICY

DUE DATE: TUESDAY 7 OCTOBER 2003, 7.30 PM.

SUBMIT TO: ECON311 ESSAY BOX IN THE EFS RESOURCE AND
INFORMATION CENTRE (C5C-244)

LENGTH:WORDS

CONTRIBUTION TO FINAL ASSESSMENT: 20%

NAME: _____ STUDENT NO.: _____
(Surname) (Initials)

TITLE: _____

ASSESSMENT	Good	Fair	Poor
Synopsis			
Presentation			
Acknowledgments			
References			
Length			

MARKS DEDUCTED (Maximum of 5) _____ (Lateness; No Synopsis; No Bibliography; No Acknowledgments; Incorrect Referencing; Illegibility)

FINAL GRADE:

MARKER'S COMMENTS:

MACQUARIE UNIVERSITY

Essay Coversheet Declaration

Unit Essay Topic

Name..... Student number

I certify that

- This assignment is my own work, based on my personal study and/or research
- I have acknowledged all material and sources used in the preparation of this assignment, including any material generated in the course of my employment
- If this assignment was based on collaborative preparatory work, as approved by the teachers of the unit, I have not submitted substantially the same final version of any material as another student
- Neither the assignment, nor substantial parts of it, have been previously submitted for assessment in this or any other institution
- I have not copied in part, or in whole, or otherwise plagiarised the work of other students
- I have read and I understand the criteria used for assessment
- The assignment is within the word and page limits specified in the unit outline
- The use of any material in this assignment does not infringe the intellectual property / copyright of a third party
- I understand that this assignment may undergo electronic detection for plagiarism, and a copy of the assignment may be retained on the database and used to make comparisons with other assignments in future

SignatureDate

This declaration is a summary of the University policy on plagiarism. For the policy in full, please refer to Student Information in the Handbook of Undergraduate Studies or <http://www.student.mq.edu.au/plagiarism/> .