

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

UNIT OUTLINE

2004

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, labour market, 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; 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-375 (Tuesday 2-3, 5-6 ONLY)
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 | E5A 131 |

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 5 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 lecturer-in-charge, prior to the due date.

VI. ESSAY:

All essays are due no later than 7.30pm on Tuesday, 5 October, 2004. They should be placed in the ECON311 essay box in the EFS Resource and Information Centre (C5C-244).

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

“Over the past 15 years, explicit inflation targeting (IT) has been adopted by an increasing number of central banks, and a substantial body of literature has emphasised the advantages of this approach as a framework for monetary policy. Nevertheless, empirical analysis has yielded little evidence of any macroeconomic effects of IT”. [Levin, A.T., Natalucci, F.M. and Piger, J.M. (2004), “The Macroeconomic Effects of Inflation Targeting”, *Federal Reserve Bank of St Louis Review*, 86, July-August, p.51]

What are the advantages and disadvantages of explicit inflation targeting as a framework for monetary policy? Survey, and evaluate, the empirical evidence relating to the macroeconomic effects of IT. On balance, do you think that there is a compelling case for the adoption of IT by central banks?

2. FISCAL POLICY

“In several respects, the advantages of distancing the stance of fiscal policy from day-to-day government are analogous to the advantages of distancing monetary policy from governments. Assuming that, in principle, discretionary changes in the stance of policy can beneficially dampen the volatility of the business cycle, removing control from day-to-day government would enable policy to be adjusted to emerging economic circumstances more *closely*, more *quickly*, and more *credibly*”. (emphasis in original)

[Gruen, N. (1997), “Making Fiscal Policy Flexibly Independent of Government”, *Agenda*, 4, p.301]

Outline the key elements of Gruen’s proposal and evaluate his claim that an independent fiscal authority would be able to adjust fiscal policy more closely, more quickly and more credibly. Include in your essay a discussion of the advantages and disadvantages of Gruen’s proposal.

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.

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.

Richards, T. and Robinson, T., eds. (2003), *Asset Prices and Monetary Policy*, 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 XII. 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.wws.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 August 2 | Unemployment and Inflation I | |
| 2 August 9 | Unemployment and Inflation II | |
| 3 August 16 | 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 23 | The Design of Macroeconomic Policy II | |
| 5 August 30 | 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 6 | Monetary Policy II Fiscal Policy I | |
| 7 September 13 | Fiscal Policy II | 3: Monetary Policy Palley, T. (2003), "Asset Price Bubbles and the Case for Asset-Based Reserve Requirements", <i>Challenge</i> , 46, May-June, 53-72. |
| <p>MID-SEMESTER BREAK: SATURDAY 18 SEPTEMBER TO MONDAY 4 OCTOBER</p> <p><i>ESSAY DUE TUESDAY 5 OCTOBER 7.30PM</i></p> | | |
| 8 October 4 | Policies for Economic Growth | |
| 9 October 11 | Wages and Labour Market Policies I | 4: Fiscal Policy Arestis, P, and Sawyer, M. (2003), "Reinventing fiscal policy", <i>Journal of Post Keynesian Economics</i> , 26, Fall, 3-25. |
| 10 October 18 | Wages and Labour Market Policies II | |
| 11 October 25 | External Policy I | 5: Wages and Unemployment Saunders, P. (2001), "Welfare Reform, Work and the Labour Market, <i>Economic and Labour Relations Review</i> , 12, June, 151-63. |
| 12 November 1 | External Policy II | |
| 13 November 8 | External Policy III | 6: Exchange Rate Volatility Leduc, S. (2001), "Who Cares about Volatility", <i>Federal Reserve Bank of Philadelphia Business Review</i> , First Quarter, 16-25 |

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 (2004), “Statement on Monetary Policy”, *Bulletin*, May, 1-51.

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.

Barnes, M.L. and Olivei, G.P. (2003), “Inside and Outside Bounds: Threshold Estimates of the Phillips Curve”, *New England Economic Review*, 3-18.

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.

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.
- Berger, H., de Haan, J. and Eijffinger, S.C.W. (2001), “Central Bank Independence: An Update of Theory and Evidence”, *Journal of Economic Surveys*, 15, February, 3-40.
- 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. (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.
- Fontana, G. and Palacio-Vera, A. (2002), “Monetary policy rules: what are we learning?”, *Journal of Post Keynesian Economics*, 24, Summer, 547-68.

- 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.
- Levin, A.T., Natalucci, F.M. and Piger, J.M. (2004), "The Macroeconomic Effects of Inflation Targeting", *Federal Reserve Bank of St. Louis Review*, 86, July-August, 51-80.
- 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.
- Seyfried, W. and Bremmer, D. (2003), "Inflation Targeting as a Framework for Monetary Policy: A Cross-Country Analysis", *Australian Economic Review*, 36, September, 291-9.
- 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.

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", *Journal of Post Keynesian Economics*, 26, Fall, 3-25.

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.

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.
- Gruen, N. (1997), "Making Fiscal Policy Flexibly Independent of Government", *Agenda*, 4, 297-307.
- Gruen, N. (2001), "Greater Independence for Fiscal Institutions", *OECD Journal on Budgeting*, 89-115.
- Hemming, R. (2003), "Policies to Promote Fiscal Discipline", *Workshop on Internationalization and Policy Transfer*, Tulane University, April 11-12, 1-19.
- 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.
- Weise, C.L. (1996), "Severity of Economic Fluctuations under a Balanced Budget Amendment", *Contemporary Economic Policy*, 14, April, 26-40.
- Wren-Lewis, S. (2000), "The Limits to Discretionary Fiscal Stabilization Policy", *Oxford Review of Economic Policy*, 16, Winter, 92-105.
- Wyplosz, C. (2002), "Fiscal Policy: Institutions vs. Rules", *HEI Working Paper No. 03/2002*, Graduate Institute of International Studies, Geneva.

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

- * Dowrick, S. and Quiggin, J. (2003), “A survey of the literature on minimum wages”, <http://econcomm.anu.edu.au/people/info/dowrick/Minimum-Wage.pdf>
- * Freeman, R. (1996), “Earnings Inequality”, *New England Economic Review*, May-June, 157-68.
- 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.
- Burgess, J., Mitchell, W. and Preston, A. (2003), “The Australian Labour Market in 2002”, *Journal of Industrial Relations*, 45, June, 125-150.
- 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.
- 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.
- Nevile, J.W. (1996), "Minimum Wages, Equity and Unemployment", *Economic and Labour Relations Review*, 7, December, 198-212.
- 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.
- Watts, M. (2003), "Wages and Wage Determination in 2002", *Journal of Industrial Relations*, 45, June, 184-204.
- 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.
- Calvo, G.A. and Mishkin, F.S. (2003), "The Mirage of Exchange Rate Regimes for Emerging Market Economies", *Journal of Economic Perspectives*, 17, Fall, 99-118.
- 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 5 OCTOBER 2004, 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)

SEMINAR: DAY _____ TIME _____ LOCATION _____

TITLE: _____

| ASSESSMENT | Excellent | Very Good | Good | Fair | Poor |
|------------------|-----------|-----------|------|------|------|
| Synopsis | _____ | | | | |
| Presentation | _____ | | | | |
| Acknowledgements | _____ | | | | |
| References | _____ | | | | |
| Length | _____ | | | | |

MARKS DEDUCTED (Maximum of 5) _____ (Lateness; No Synopsis; No Bibliography; No Acknowledgements; 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/> .