

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

UNIT OUTLINE

2005

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 tutorial program.

II. LECTURERS:

Weeks 1 - 8
Bill Junor (Lecturer-in-charge)
C5C-377 (X8465)
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)	60%
Essay	20%
Tutorial quizzes	10%
Tutorial 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 three 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 tutorials. Tutorials will meet in weeks 3, 5, 7, 9, 11 and 13 only.

Each student is required to submit an essay on the topic listed in Section VI. 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 must be made, *via email*, to the lecturer-in-charge, prior to the due date.

VI. ESSAY:

Essays are due no later than 7.30pm on Tuesday, 4 October, 2005. They should be placed in the ECON311 essay box in ERIC (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 and correct forms of referencing followed.

The essay cover sheet (attached to this unit outline) 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 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 TOPIC:

BUSINESS CYCLES AND MONETARY POLICY

“Stock and Watson document the moderation in the business cycle across a number of countries in recent years ...[and]... attempt to determine whether the moderation in economic volatility was due to improved monetary policy, sectorial changes in the structure of the economy, or smaller economic shocks. Stock and Watson conclude that relatively little of the decrease in volatility is due to monetary policy or structural changes in the economy. Instead, they suggest that most of the decline in volatility appears due to smaller economic shocks in recent years”. (Sellon, G.H. Jr. (2003), “Monetary Policy and Uncertainty: Adapting to a Changing Economy – An Introduction to the Bank’s 2003 Economic Symposium”, in Federal Reserve Bank of Kansas City, *Monetary Policy and Uncertainty: Adapting to a Changing Economy*, p.xxiv)

Outline the key elements of the contention by the Romers and others that the moderation of volatility in real economic activity since the mid-1980s is the result of improved monetary policy, and also the key elements of the counter arguments of Stock and Watson that the moderation is the result of smaller economic shocks. Critically evaluate the evidence in support of these two contentions and offer your conclusion on whether the “great moderation” was the result of good monetary management (Romer and Romer) or good luck (Stock and Watson). Has Australia experienced similar changes in the business cycle to the G7 countries since 1960?

Starting references:

Stock, J.H. and Watson, M.W. (2003), “Has the Business Cycle Changed: Evidence and Explanations”, in Federal Reserve Bank of Kansas City, *Monetary Policy and Uncertainty: Adapting to a Changing Economy*, Kansas City, 9-56.

Romer, C.D and Romer, D.H. (2002), “The Evolution of Economic Understanding and Postwar Stabilization Policy”, in Federal Reserve Bank of Kansas City, *Rethinking Stabilization Policy*, Kansas City, 11-78.

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. TUTORIALS:

Tutorials will be held in Weeks 3, 5, 7, 9, 11, and 13 **ONLY**.

Tutorials are organised as follows:

- i) At the beginning of each tutorial a set of true/false questions will be distributed. These questions will be based on the required (starred) reading and lecture material for each topic. The answer sheets will be completed and handed back to the tutor. Each tutorial quiz is worth 2%.
- ii) The remainder of each tutorial will consist of a question and answer session based on the true/false questions. Each student will be asked at least one question during this part of the tutorial. Participation in each tutorial is worth 2%.
- iii) The final mark out of 20% for the tutorial quizzes and participation will be determined by omitting the lowest mark obtained in the six tutorials.

The 10% of the final mark for tutorial participation will be assigned for your performance in the tutorials. No marks will be assigned for attendance. However, because you cannot complete the tutorial quiz or perform if you are not present, you will lose 4% points for each tutorial that you fail to attend.

THE MATERIAL COVERED IN THE TUTORIALS 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 Unit Outline will be posted on the public pages of the web site, as will other distributed handouts as they become available.

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.

Kent, C. and S. Guttman, eds. (2004), *The Future of Inflation Targeting*, 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.

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	TUTORIAL TOPIC
1 August 1	Unemployment and Inflation I	
2 August 8	Unemployment and Inflation II	
3 August 15	The Design of Macroeconomic Policy I	1: Unemployment and Inflation
4 August 22	The Design of Macroeconomic Policy II	
5 August 29	Monetary Policy I	2: Policy Design
6 September 5	Monetary Policy II	
7 September 12	Fiscal Policy I	3: Monetary Policy
MID-SEMESTER BREAK: SATURDAY 17 SEPTEMBER TO MONDAY 3 OCTOBER <i>ESSAY DUE TUESDAY 4 OCTOBER 7.30PM</i>		
8 October 3	Fiscal Policy II	
9 October 10	Wages and Labour Market Policies I	4: Fiscal Policy
10 October 17	Wages and Labour Market Policies II	
11 October 24	External Policy I	5: Wages and Labour Market Policies
12 October 31	External Policy II	
13 November 7	External Policy III	6: External Policy

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 (2005), “Statement on Monetary Policy”, *Bulletin*, May, 1-64.

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.

Stock, J.H. and Watson, M.W. (2003), "Has the Business Cycle Changed: Evidence and Explanations", in Federal Reserve Bank of Kansas City, *Monetary Policy and Uncertainty: Adapting to a Changing Economy*, Kansas City, 9-56.

2. THE DESIGN OF MACROECONOMIC POLICY

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

* 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.

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

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

- * Kuttner, K.N. (2004), “A Snapshot of Inflation Targeting in its Adolescence”, in Kent, C. and S. Guttman, eds., *The Future of Inflation Targeting*, Reserve Bank of Australia, Sydney.
- * Debelle, G. (1999), “Inflation Targeting and Output Stabilisation”, *Research Discussion Paper 1999-08*, June, Reserve Bank of Australia.
- 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.
- Bernanke, B.S. and Mishkin, F.S. (1997), “Inflation Targeting: A New Framework for Monetary Policy?”, *Journal of Economic Perspectives*, 11, Spring, 97-116.
- 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.
- 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.
- 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.
- Economic Planning Advisory Council (1994), "Investment for Growth", *EPAC Background Paper No. 39*, AGPS, Canberra (especially the paper by Dowrick).
- Gruen, D. (1997), "Ignorance and Ricardian Equivalence", *Economic Record*, 73, March, 35-44.
- Gruen, N. (2001), "Greater Independence for Fiscal Institutions", *OECD Journal on Budgeting*, 89-115.
- 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.

5. 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.
- * National Institute of Labour Studies (2005), "Labour market conditions in Australia, January 2005", *Global Policy Network*, <http://www.gpn.org/>
- 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.

6. EXTERNAL POLICY

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DIVISION OF ECONOMIC AND FINANCIAL STUDIES

ESSAY COVER PAGE

UNIT: ECON311 MACROECONOMIC POLICY

DUE DATE: TUESDAY 4 OCTOBER 2005, 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:

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Essay Coversheet Declaration

Unit Essay Topic

Name..... Student number

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- 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
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