

MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

UNIT OUTLINE

2006

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)
E4A-412 (X4766)
email: wjunor@efs.mq.edu.au

Weeks 9 - 13
Marc Lombard
E4A-436 (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 (wjunor@efs.mq.edu.au), prior to the due date.

VI. ESSAY:

Essays are due no later than 6.00pm on Tuesday, 3 October, 2005. They should be placed in the ECON311 essay box in ERIC (E4B-106).

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 declaration regarding plagiarism on the cover sheet **must** be signed.

ESSAYS SUBMITTED WITHOUT THE PLAGIARISM 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. The ‘ECONLIT’ database in the Library website is a good starting point to search for essay references by keyword, author, etc. It is expected that, where relevant, essays will incorporate the *latest* available 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 XI 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.

ESSAY TOPIC:

FISCAL POLICY AND SHORT-RUN STABILISATION

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. Include in your essay a discussion of the advantages and disadvantages of assigning responsibility for the conduct of fiscal policy to an independent fiscal authority.

Starting references:

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>)

Gruen, N. (1997), “Making Fiscal Policy Flexibly Independent of Government”, *Agenda*, 4, 297-307.

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. PLAGIARISM:

The University defines plagiarism in its rules: “Plagiarism involves using the work of another person and presenting it as one’s own.” Plagiarism is a serious breach of the University’s rules and carries significant penalties. You must read the University’s practices and policies on plagiarism. These can be found on the web at <http://www.student.mq.edu.au/plagiarism/> or in the *Handbook of Undergraduate Studies 2006* (pp.46-7).

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

VIII. 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.

IX. 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.

X. UNIVERSITY POLICY ON GRADING:

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

For an explanation of the policy see:

<http://www.mq.edu.au/senate/MQUonly/Issues /Guidelines2003.doc> or
<http://www.mq.edu.au/senate/MQUonly/Issues /detailedguidelines.doc>

XI. 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. (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.

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.

Kent, C. and Norman, D., eds. (2005), *The Changing Nature of the Business Cycle*, 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/>

XII. 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.

XIII. COURSE CALENDAR

WEEK NO. Commencing	LECTURE TOPIC	TUTORIAL TOPIC
1 July 31	Unemployment and Inflation I	
2 August 7	Unemployment and Inflation II	
3 August 14	The Design of Macroeconomic Policy I	1: Unemployment and Inflation
4 August 21	The Design of Macroeconomic Policy II	
5 August 28	Monetary Policy I	2: Policy Design
6 September 4	Monetary Policy II	
7 September 11	Fiscal Policy I	3: Monetary Policy
MID-SEMESTER BREAK: SATURDAY 16 SEPTEMBER TO MONDAY 2 OCTOBER <i>ESSAY DUE TUESDAY 3 OCTOBER 6.00PM</i>		
8 October 2	Fiscal Policy II	
9 October 9	Wages and Labour Market Policies I	4: Fiscal Policy
10 October 16	Wages and Labour Market Policies II	
11 October 23	External Policy I	5: Wages and Labour Market Policies
12 October 30	External Policy II	
13 November 6	External Policy III	6: External Policy

XIV. RECOMMENDED READING:

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

INTRODUCTION – MACROECONOMIC POLICY PROBLEMS AND ISSUES

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.

Martin, B. and Rowthorn, R. (2004), “Will Stability Last?”, *CESifo Working Paper No.1324*, <http://www.cesifo.de/docCIDL/1324.pdf>

Reserve Bank of Australia (2006), “Statement on Monetary Policy”, *Bulletin*, May, 1-59.

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.
- 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.

* Arestis, P. and Sawyer, M. (2003), "Reinventing Fiscal Policy", *Journal of Post Keynesian Economics*, 26, Fall, 3-25.

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.

Allsopp, C. and Vines, D. (2005), "The Macroeconomic Role of Fiscal Policy", *Oxford Review of Economic Policy*, 21, 4, 485-508.

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, D. and Sayegh, A. (2005), "The Evolution of Fiscal Policy in Australia", *Oxford Review of Economic Policy*, 21, 4, 618-35.
- Gruen, N. (2001), "Greater Independence for Fiscal Institutions", *OECD Journal on Budgeting*, 89-115.
- Gruen, N. (1997), "Making Fiscal Policy Flexibly Independent of Government", *Agenda*, 4, 297-307.
- 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.
- 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

* 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.

* Bernanke, B.S. (2005), "The Global Saving Glut and the U.S. Current Account Deficit", Federal Reserve Board, <http://federalreserve.gov/>

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.