

# MACQUARIE UNIVERSITY



Division of Economic and Financial Studies

## UNIT OUTLINE

2007

**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 developed 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](mailto:wjunor@efs.mq.edu.au)

Weeks 9 - 13  
Marc Lombard  
E4A-436 (X8501)  
email: [mlombard@efs.mq.edu.au](mailto: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	W5A T1
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:

A hard copy of the essay must be submitted no later than 9.00am on Tuesday, 25 September, 2007. Essays should be placed in the ECON311 essay box in ERIC (E4B-106).

In addition, an electronic copy of the essay is to be submitted to the Turnitin website for plagiarism checking. The electronic copy must also be submitted no later than 9.00am on Tuesday, 25 September, 2007. Turnitin conducts exhaustive searches of the internet, journal articles and periodicals, and student papers and essays previously submitted to Turnitin, for unacknowledged quotations in the essay being reviewed. Relatively short strings of words can be detected by Turnitin and will be highlighted in the Originality Report on each essay. If your essay contains plagiarised material, it will be detected and you will be penalised. You can ensure that you are not penalised for plagiarism by properly acknowledging direct quotations from the sources you use and not presenting the work of others as your own work. Instructions on how to submit your essay to Turnitin will be posted on the ECON311 website well before the due date for the essay.

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

Essays must be typed on A4 paper with a minimum font size of 12 and a minimum margin of 25mm on the top, bottom, and both sides of the page. Correct forms of referencing must be followed.

The essay cover sheet (available on the ECON311 website) is to be stapled to the front of the hard copy 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.

The essay cover sheet must also be the first page of the electronic copy submitted to Turnitin.

**ESSAYS SUBMITTED WITHOUT THE PLAGIARISM DECLARATION BEING SIGNED AND/OR WITHOUT THE ESSAY BEING SUBMITTED TO TURNITIN 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: CENTRAL BANK TRANSPARENCY**

In his discussion of the evolution of inflation targeting, Kuttner (2004, p.18) notes that while some inflation-targeting central banks continue to publish short-term, often qualitative, forecasts for a limited set of variables "...the general trend is towards reporting explicit forecasts [of inflation, GDP growth, etc.] over increasingly long horizons."

I) Outline and evaluate the advantages and disadvantages of inflation-targeting central banks reporting explicit forecasts for policy variables.

II) Compare the approach to reporting forecasts used by the Reserve Bank of Australia and by *either* the Reserve Bank of New Zealand *or* the Norges Bank (the central bank of Norway). For the explicit forecast reporting central bank that you have selected (ie. either the RBNZ or the Norges Bank) choose a forecasting period that has now ended and for which the actual outcomes are available and i) set out the forecast values of the policy variables at the beginning of the period; ii) discuss the monetary policy implications of these forecasts; and iii) evaluate the success of the monetary policy by reference to the actual values of the policy variables at the end of the period. Repeat this analysis for the Reserve Bank of Australia over the same time period. Does your analysis suggest that inflation-targeting central banks that report explicit forecasts for policy variables generate better policy outcomes? In the light of your evaluation of explicit forecasts in the first part of the topic and your analysis of the performance of the two central banks you considered in the second part of the essay, do you think that the Reserve Bank of Australia should begin reporting explicit forecasts? Does your analysis suggest that inflation-targeting central banks should communicate a policy path as discussed in Kahn (2007)?

[Note: this essay topic has two parts. You should devote about half of your essay to each part. The essay marking scale will be based on a 50% weight for each part].

Starting references:

Kahn, G.A. (2007), “Communicating a Policy Path: The Next Frontier in Central Bank Transparency?”, *Federal Reserve Bank of Kansas City Economic Review*, 92, First Quarter, 25-51.

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.

Mishkin, F.S. (2004), “Can Central Bank Transparency Go Too Far?”, in Kent, C. and S. Guttman, eds., *The Future of Inflation Targeting*, Reserve Bank of Australia, Sydney.

Useful website:

The Bank of International Settlements website at <http://www.bis.org/cbanks.htm> contains links to the websites of most central banks.

**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/](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

<b>WEEK NO. Commencing</b>	<b>LECTURE TOPIC</b>	<b>TUTORIAL TOPIC</b>
1 July 30	Unemployment and Inflation I	
2 August 6	Unemployment and Inflation II	
3 August 13	The Design of Macroeconomic Policy I	1: Unemployment and Inflation
4 August 20	The Design of Macroeconomic Policy II	
5 August 27	Monetary Policy I	2: Policy Design
6 September 3	Monetary Policy II	
7 September 10	Fiscal Policy I	3: Monetary Policy
<b>MID-SEMESTER BREAK: SATURDAY 15 SEPTEMBER TO MONDAY 1 OCTOBER</b> <b><i>ESSAY DUE TUESDAY 25 SEPTEMBER 9.00AM</i></b>		
8 October 1	Fiscal Policy II	
9 October 8	Wages and Labour Market Policies I	4: Fiscal Policy
10 October 15	Wages and Labour Market Policies II	
11 October 22	External Policy I	5: Wages and Labour Market Policies
12 October 29	External Policy II	
13 November 5	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 (2007), “Statement on Monetary Policy”, *Bulletin*, May, 1-58.

### 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.
- Gustavsson, M. and Osterholm, P. (2007), "Does Unemployment Hysteresis Equal Employment Hysteresis", *Economic Record*, 83, June, 159-73.
- 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.
- Ribba, A. (2007), “Permanent disinflationary effects on unemployment in a small open economy: Italy 1979-1995”, *Economic Modelling*, 24, 66-81.
- 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.
- 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.
- Dueker, M.J. and Fischer, A.M. (2006), “Do Inflation Targeters Outperform Non-targeters?”, *Federal Reserve Bank of St. Louis Review*, 88, September/October, 431-50.
- 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.
- Kahn, G.A. (2007), “Communicating a Policy Path: The Next Frontier in Central Bank Transparency?”, *Federal Reserve Bank of Kansas City Economic Review*, 92, First Quarter, 25-51.
- Karagedikli, Ö. and Lees, K. (2007), “Do the Central Banks of Australia and New Zealand Behave Asymmetrically? Evidence from Monetary Policy Reaction Functions”, *Economic Record*, 83, June, 131-42.
- 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.
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