ECON823 - MACROECONOMICS

Students in this unit should read this outline carefully at the start of the semester. It contains important information about the unit. If anything is unclear, please consult the unit convenor.

UNIT DESCRIPTION

This unit is intended for postgraduate students with a non-macroeconomics background. It is a core unit of both the Postgraduate Diploma in Applied Economics and the Postgraduate Certificate in Applied Economics. It is also a qualifying unit for entry into the Master of Economics and Master of Commerce (Economics) program. Whilst the unit requires no previous knowledge, it is an intensive, accelerated course, which aims to bring the students to an intermediate level of macroeconomics.

Credit points: 4

LEARNING OUTCOMES:

The unit-specific skills that ECON823 seeks to impart are an analytical and critical approach to the theory of income determination in closed and open economies, to the conduct of macroeconomic policy, to the various competing theories explaining economic outcomes, and to the interpretation of economic data.. 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 tutorial exercises program.

LECTURER

Marc Lombard, ECON823 Convenor
Room: E4A-436,
Telephone: 9850 8501,
Email: marc.lombard@mq.edu.au

Consultation times will be announced at the beginning of the course.

LECTURES/TUTORIALS

There will be one three-hour session each week, on Thursdays, 6-9 pm, in Room W5C-213

It is essential for the successful completion of this unit that:
1) Students attend all sessions, as the examination/tests will focus on material discussed in these sessions

2) Students be conversant, each week, with the concepts and issues presented during lecture time, and are acquainted with the recommended reading material.
ASSESSMENT

The assessment will consist of:

- **Class tests** worth 40% of the marks.
  Dates of class tests will be announced at the beginning of the semester.

- **A final examination** (2 hours), covering the whole course, worth 60% of the marks

Absence from class tests will result in a mark of zero, unless absence is supported by acceptable documented evidence. In this case, the final exam mark will be converted to a higher percentage of the total marks.

**NOTE:**
1) It is the policy of the Economics Department that students must pass the final examination in order to successfully complete a unit
2) It is also Macquarie University policy not to set early examinations for individual or group of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period.

**GRADES**
The following range of standardised numerical grades applies as follows:

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<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>HD</td>
<td>85-100</td>
</tr>
<tr>
<td>D</td>
<td>75-84</td>
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<tr>
<td>Cr</td>
<td>65-74</td>
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<tr>
<td>P</td>
<td>50-64</td>
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<tr>
<td>PC</td>
<td>45-49</td>
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<tr>
<td>F</td>
<td>0-44</td>
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</tbody>
</table>

Raw marks are given on each assessment task. The scaled marks are then derived from raw marks. The student’s grade of achievement in a unit is based on an assessment of all relevant work in the unit including performance at examinations.

**RECOMMENDED TEXT AND REFERENCES**
There is no set textbook for this unit. The following references (in alphabetical order) should prove useful. They are all available in the reserve section of the library:

- Littleboy and Taylor (2006), *Macroeconomics*, 3\textsuperscript{rd} ed., Wiley
- Mankiw, G. (2007), *Macroeconomics*, 6\textsuperscript{th} ed., Worth
Statistical data:
- Australian Bureau of Statistics, *Australian Economic Indicators*, monthly
- Australian Parliamentary Library, *Monthly Economic and Social Indicators*
- Reserve Bank of Australia, *Bulletin*, monthly
- Commonwealth of Australia, *Budget Paper No 1*, AGPS, annually
- OECD, *Main Economic Indicators*, quarterly
- OECD, *Economic Outlook*, semi-annually

Useful websites
- Australian Parliamentary Library: www.aph.gov.au
- Australian Treasury: www.treasury.gov.au
- Reserve Bank of Australia: www.rba.gov.au
- OECD: www.oecd.org
- World Bank: www.worldbank.org

LECTURE PROGRAM

**Topic 1: MACROECONOMIC MEASUREMENT AND PERFORMANCE**
- Interrelation of Major Macroeconomic Objectives
- National Accounts
- International comparisons
- Economic Growth
- Inflation
- Unemployment
- External Sector

**Topic 2: ECONOMIC FLUCTUATIONS**
- Business Cycle Analysis
- Income and Expenditure Analysis
- Consumption and Saving
- Investment
- Expenditure Multiplier
- Inflationary and Deflationary Gaps
- Aggregate Supply and Demand
- Stabilisation Policy

**Topic 3: MONETARY SECTOR & MONETARY POLICY**
- Money Supply & Money Demand
- Credit Creation
- The Role of the Reserve Bank
- Interest Rates
- Monetary Transmission Mechanism
- Effects of Changes in Monetary Policy
Topic 4: INFLATION and UNEMPLOYMENT
- Effects of Inflation
- Causes of Inflation
- Deflationary Policies
- Measurement of Unemployment
- The Labour Force
- Causes of Unemployment: Classical, Keynesian, New Classical
- The Philips Curve

Topic 5: FISCAL POLICY
- The Budget: Structural and Cyclical Components
- Financing the Budget Deficit
- Public Debt & Ricardian Equivalence
- "Crowding out" and "Crowding in"
- Balanced Budget Multiplier
- Taxes and Incentives
- Taxes and Government Revenue

Topic 6: EFFECTIVENESS OF MACROECONOMIC POLICY
- The IS-LM Model
- Policy Mix
- Monetary and Fiscal Policy: Lags and Inflation

Topic 7: SCHOOLS OF THOUGHT
- Macroeconomic Controversies
- Classical & Neoclassical
- Keynesian, New and Post Keynesian
- Monetarist, New Classical

Topic 8: ECONOMIC GROWTH
- Output Gap
- Sources of Economic Growth
- Theories of Economic Growth
- Policies to Promote Economic Growth

Topic 9: EXTERNAL SECTOR
- Balance of Payments
- Trade and Elasticities
- Policy Responses to Current Account Imbalances
- Do Current Account Deficits Matter?
- The Foreign Debt Issue
- The Australian Experience

Topic 10: INTERNATIONAL MONETARY SYSTEMS
- The Foreign Exchange Market
- Choice of Exchange Rate Regime
- The Mundell-Fleming Model
- Macroeconomic Policy and Exchange Rate Regimes
- Misalignment, Insulation and Inflation Dependency
- Exchange Rate Movements and Currency Crises
NOTE: The numbering of topics above is not related to the number of lecture weeks. Some topics are shorter/longer than others.

STUDENT SUPPORT SERVICES
Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at [http://www.student.mq.edu.au](http://www.student.mq.edu.au).

BESS
The (Faculty of) Business and Economics Student Services is a drop-in centre for students who are taking units in the Faculty of Business and Economics. It is located in Room 106, Building E4B.

Talk to Peer Advisers:
Phone: +61 (02) 9850 8450
Opening hours during semester (including mid-semester breaks and the exam period):
- Mon-Thur: 9 am- 6pm
- Fridays: 9 am- 5pm
Out of semester:
- Monday-Friday, 9am-5pm

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 procedures on plagiarism. These can be found on the web at: [http://www.student.mq.edu.au/plagiarism/](http://www.student.mq.edu.au/plagiarism/). Penalties may include a deduction of marks, failure in a unit, and/or referral to the University Discipline Committee.

ENQUIRIES
Any enquiries about the unit should be directed to Marc Lombard, lecturer-in-charge, room E4A-436, tel. 9850 8501, email: marc.lombard@mq.edu.au