Unit Outline

2005

BBA 214

MACROECONOMIC POLICY AND BUSINESS

Lecturer in Charge: Alison Stegman
Aims and Nature of the Course

Welcome to the 2005 offering of BBA 214, Macroeconomic Policy and Business. The aim of the course is to provide students with an understanding of the macroeconomic policy environment within which businesses operate. There is an emphasis on the practical application of economic theory and the practical issues involved in macroeconomic policy implementation. The topics covered in this course include measuring the economy, economic growth, saving and investment, the macroeconomic policy problems of unemployment, inflation and the balance of payments, and the macroeconomic stabilisation policy tools: fiscal policy and monetary policy.

Course Prerequisites

BBA103 or ECON110

Assumed and Essential Knowledge

Students are assumed to have a clear understanding of the Keynesian Multiplier (Y-E) model including equilibrium conditions and multiplier impacts. Students who feel that their understanding of this model may be limited are advised to contact the lecturer-in-charge WITHIN THE FIRST WEEK of lectures.

Lecturers

Alison Stegman (Lecturer in Charge): Weeks 1 to 9
Room C5C 383
Tel: 9850 9948
Email: astegman@efs.mq.edu.au

Trevor Whitehead, Weeks 10 to 13
Room C5C 387
Tel: 9850 8499
Email: twithe@efs.mq.edu.au

Regular consultation times will be published at the start of semester.
Lectures

There is one two-hour lecture each week that you are expected to attend. This lecture is held on Mondays from 11.00am to 1.00pm in E6A 133. Note that, because of the Labour Day public holiday, there are no lectures on Monday 3 October.

Lecture Outline

*Introduction to Macroeconomics*

Topic 1: The Macroeconomic Policy Problem (Week 1)

Topic 2: Measuring the Economy (Week 2)

*Economic Growth*

Topic 3: Economic Growth (Week 3)

Topic 4: Saving and Investment (Week 4)

*Macroeconomic Policy Problems*

Topic 5: Unemployment and the Australian Labour Market (Week 5)

Topic 6: Money, Asset Markets, and Prices (Week 6)

Topic 7: Inflation and Unemployment models: The Phillips and Beveridge Curves (Week 7)

Topic 8: The Exchange Rate, the Balance of Payments and the External Constraint (Week 9)

*Macroeconomic Stabilisation Policy*

Topic 9: Fiscal Policy and the Budget (Weeks 10 and 11)

Weeks 10: Inflation Targeting and Monetary Policy (Weeks 11 and 12)

*Long Run Economic Growth Policies*

Week 11: Long Run Economic Growth Policies and Microeconomic Reform (Week 13)
Allocation of Marks

Seminar Assessment  15%
Assignment           25%
Final Exam           60%

Seminars

There will be eight seminar meetings held during the semester. In the weeks in which they are held, they will take place one hour after the lecture (at 2.00pm) in room E6A 133. These seminar sessions are designed to review and extend the work covered in lectures.

The seminars are designed to review the lecture material and encourage discussion and debate of important macroeconomic issues. All students are expected to read the discussion literature and participate in the debate. The material covered in the seminars will be examinable.

Seminars will take place in the following weeks:

Seminar 1: Economic Growth     Week 4: 22 August
Seminar 2: Saving and Investment    Week 5: 29 August
Seminar 3: Unemployment and the Australian LM     Week 6: 5 September
Seminar 4: Money and Asset Prices  Week 7: 12 September
Seminar 5: Models of Inflation and Unemployment  Week 9: 10 October
Seminar 6: The Exchange Rate and Balance of Payments  Week 10: 17 October
Seminar 7: Fiscal Policy and the Budget  Week 12: 31 October
Seminar 8: Monetary Policy     Week 13: 7 November

Seminar Assessment

There are eight seminar topics. In the first lecture, students will be allocated a seminar topic. Each student will be required to submit a report answering the seminar questions (both review and discussion) for their allocated topic. Students will be required to submit this report at the conclusion of the seminar dealing with their topic. The report will contribute 15% to your overall assessment mark.

All students are expected to participate in the seminar discussion. The seminar questions will consist of practice exam (review) and discussion questions. It is the responsibility of students to answer and discuss these questions in the seminar. All of the material covered in the seminars is examinable.

Seminar Topics and Questions

The seminar questions are contained in a separate handout.
Assignment/Essay

There is one compulsory assignment in the course. It is worth 25% of the final assessment. **The assignment is due on Monday 10 October (by 5.00 pm in the box in ERIC).**

Students should choose **ONE** of the following two essay topics for their assignment.

**Essay Topics:**

**A. Economic Growth**

Gross Domestic Product (GDP) is an imperfect but widely used indicator of our relative standard of living across time and across countries. Outline some of the statistical issues that arise when attempting to compare GDP levels across time and across countries. Discuss the recent trends in (and possible drivers of) Australia’s economic growth performance. How do Australian levels of economic growth and GDP per capita compare internationally? What are the limitations of GDP as a measure of our relative well-being and standard of living? Discuss some alternative measures with reference to the Australian experience.

**B. Unemployment and the Australian Labour Market**

Macroeconomists are generally concerned with the macroeconomic policy trade-off between unemployment, inflation and the balance of payments. The Australian Bureau of Statistics reported that the (seasonally adjusted) unemployment rate in Australia for June 2005 was 5 percent, the lowest unemployment rate in almost three decades (the ABS publishes the seasonally adjusted unemployment rate from 1978). Does this mean that unemployment is no longer a problem in Australia and that public policy should focus on the issues of inflation and the balance of payments? Do you think the unemployment rate is a good measure of the state of the labour market? Discuss the recent trends in key Australian labour market variables. Include some discussion of at least one theoretical model of unemployment (i.e. the Phillips Curve or the Beveridge Curve) and outline how different types of unemployment may respond differently to alternative policy initiatives.

Your essay should be clear and concise and **should not exceed 2000 words**. Graphs are essential.

The references below provide a very good background to your essay. All of the references, with the exception of the book by Gittins and Tiffen (2004) are available in the course notes. Chapter 3 from Gittins and Tiffen is included in your course notes. The complete book is held on Reserve in the library. Additional resources and references are encouraged. You can use the data sources to draw appropriate graphs and tables.

Students are strongly advised to consult the **Essay Writing and Referencing Guidelines** available from the EFS student support website: http://www.efs.mq.edu.au/services/policies Cheat.htm
References:


Data:

A limited data set of economic statistics will be available from the course website. Students wishing to use these series should consult the relevant source publication and ensure that they understand how to source this data. When using data, students should be clear in defining the series under consideration. All data sources should be referenced.

Students wishing to include additional data series in their essay are encouraged to visit the ABS web site: www.abs.gov.au. The following publications may prove useful:

ABS Catalogue 6105: Australian Labour Market Statistics
ABS Catalogue 6202: Labour Force, Australia
ABS Catalogue 5204: Australian System of National Accounts
Final Exam

The final exam contributes 60% to your overall assessment mark. The final exam will consist of essay style questions and will cover the full range of course material. Further details of the final exam will be available later in the semester.

Subject Requirements

To pass BBA214, students must
(i) Submit what the LIC considers to be a reasonable attempt at the assignment;
(ii) Pass the final examination.

Plagiarism

Students are strongly warned against plagiarism. If detected, the marks for all assignments involved will be forfeited and/or students involved will be referred to the Disciplinary Committee.

Special Consideration

If you are sick or experience misadventure such that you are unable to complete your assigned seminar questions or the assignment you need to complete an Advice of Absence form. Further information is available from the EFS student support website: http://www.efs.mq.edu.au/services/policies_consid.htm. This procedure is ONLY FOR COURSEWORK. A different procedure applies for sickness and misadventure relating to final exams.
In cases of illness or misadventure in relation to the final examination, you may apply for Special Consideration. Please note that the procedures of the Division of Economic and Financial Studies allow Lecturers-in-Charge to refuse applications for Special Consideration on the grounds of unsatisfactory coursework or attendance record. Further information is available from the EFS student support website: http://www.efs.mq.edu.au/services/policies_consid.htm

Enquiries and Problems

Academic
Any administrative problems should be directed to Alison Stegman.
Problems relating to difficulties that you might be having in understanding the material covered in lectures, readings or seminars should be directed to Alison Stegman and Trevor Whitehead, according to topic. Do not hesitate to come and see us as soon as these arise.

Personal
If your studies are being affected by personal problems contact the Student Counselling Service which provides assistance with a very wide range of problems.
Text

There is no compulsory textbook for this course.

Compulsory reading for this course is contained in the subject course notes. Each Lecture Topic contains a list of readings. Readings that are compulsory are marked with an (*) and can be found in the course notes. These readings contain examinable material. The readings may not cover all of the issues contained in lectures. The readings may also include additional topics not covered in lectures. All of the material covered in lectures is examinable and students should ensure they have a complete copy of the lecture notes.


This book contains additional reading for the topics covered in lectures. Copies of Miles and Scott (2005) are held in Reserve in the Library and are available for purchase at the bookshop.

Additional recommended readings are provided for each of the lecture topics. Reserve Bank publications are available from the website: www.rba.gov.au.

Readings

*Introduction to Macroeconomics (Weeks 1-2)*

**Topic 1: Introduction to the Australian Economy**


Reserve Bank of Australia (RBA) (2005), Statement on Monetary Policy, 6 May 2005.

**There are no compulsory readings for Week 1. Students are strongly advised to read the recommended readings for this week. They contain material relevant to the entire course.**

**Topic 2: Measuring the Economy**


*Economic Growth (Weeks 3-4)*

**Topic 3: Growth Theory**


**Topic 4: Saving and Investment**


**Macroeconomic Policy Problems (Weeks 5-9)**

**Topic 5: Unemployment and the Australian Labour Market**


**Topic 6: Money, Asset Markets, and Prices**


**Topic 7: Inflation and the Phillips Curve**


**Topic 8: The Exchange Rate, the Balance of Payments and the External Constraint**


Macroeconomic Stabilisation Policy (Weeks 10-12)

Topic 9: Fiscal Policy and the Budget


Intergenerational Report, Budget Paper No 5, 2002-03 Budget Papers.


Topic 10: Inflation Targeting and Monetary Policy


Reserve Bank Bulletin: Recent issues contain useful articles on monetary policy. All these are available on the Reserve Bank’s website, www.rba.gov.au.

(eg The Future of Inflation Targeting, Nov 2004).

Long Run Economic Growth Policies (Week 13)

Topic 11: Long Run Economic Growth Policies and Microeconomic Reform


(Plus comments by John Quiggin and Richard Snape).
Unit Website

The Unit Website is currently at

http://online.mq.edu.au/public/BBA214/

You will find most, if not all, of the information about the course at this site, including lecture notes. You will need to visit the site on a regular basis. The Centre for Flexible Learning provides the following confidentiality statement regarding your online activities:

Confidentiality

The password-protected component of your unit's website is hosted on the Macquarie University Online Teaching Facility (MUOTF). The facility is run by the Centre for Flexible Learning (CFL). Part of the Centre's role is to assist teachers in identifying the needs of students so that course units and teaching resources can be developed in ways that allow students better access to teaching materials and more effective ways of learning and communicating.

MUOTF automatically collects two types of information:

1. Server Usage Information
   The server logs have information on who accesses the site, the location from which the site is accessed, the time and duration of access, and what material is accessed. This information on individuals is available only to CFL specified staff, Deans and Heads of Department, and is used for identifying reported access difficulties, improving server performance and tracing any breaches of security. CFL also uses the information for statistical analysis of access times and locations, and for analysis of other patterns of use. In addition, some summarised information may be available to your convenor, but only after the examination period. In all cases confidentiality is maintained and no information about individuals is released.
   Deans and Heads of Department are responsible for aspects of security relating to IT within their area of responsibility. Some recent events suggest that it is essential to allow them access to the Online Teaching Facility.

2. General Unit Management Information
   The software your unit is using tracks information about how you use the teaching material.
   This information is available to your convenor and includes your first and last log in, how much of the course material you have looked at, how many discussion messages you have posted and read, and whether you have read your mail. It is important to note that your convenor cannot read your personal mail or annotations.
   If you have concerns about confidentiality, contact your unit convenor or CFL:
   Manager – Online Learning Systems
   Phone: 9850 7852
   Email: ols.manager@cfl.mq.edu.au
ESSAY COVER SHEET

Due date: Monday, 10 October 2005
(To be handed in to ERIC)

CHECKLIST:

1. Have you made a photocopy of your essay?
2. Have you included an abstract and a bibliography?
3. Do not submit in a manila or plastic folder.
4. Have you read and signed the plagiarism statement?

Name____________________________________________________________

Student Number___________________________________________________

Final Mark (out of 25):

Marker's Comments:
PLAGIARISM STATEMENT

Plagiarism involves using the work of another person and presenting it as your own. Any of the following constitutes plagiarism unless the source of borrowed material is clearly acknowledged:

(a) Copying out part(s) of any document or audio-visual material (including computer-based material);
(b) using or extracting another person's concepts, experimental results or conclusions;
(c) summarising another person's work;
(d) in an assignment where there was collaborative preparatory work, submitting the same final version of any material as another student.

Encouraging or assisting another person to commit plagiarism is a form of improper collusion and may attract the same penalties.

STATEMENT TO BE SIGNED BY STUDENT

1. I have read the definition of plagiarism that appears above.
2. In my essay I have carefully acknowledged the source of any material which is not my own work.
3. I am aware that the penalties for plagiarism can be severe.

Signature_______________________________________________
Name__________________________________________________
Student Number__________________________________________