Division of Economic and Financial Studies

UNIT OUTLINE

2006

ECON311 MACROECONOMIC POLICY

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)
e-mail:  wjunor@efs.mq.edu.au

Weeks 9 - 13       Marc Lombard
E4A-436  (X8501)
e-mail:  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:


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.

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**THE MATERIAL COVERED IN THE TUTORIALS IS EXAMINABLE IN THE FINAL EXAMINATION.**

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**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/detailedguidelines.doc
XI. REFERENCE BOOKS:

There is no textbook for this course.

GENERAL REFERENCES:


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:


Australian Bureau of Statistics, *Australian Economic Indicators*, ABS Catalogue No. 1350.0, published monthly; and,

Data relating to Australia and other countries are also available on the Internet. Useful sites include the following:

Penn World Tables [http://pwt.econ.upenn.edu/](http://pwt.econ.upenn.edu/)

Other useful sites include:

Google Directory – Economics
WebEc (World Wide Web Resources in Economics) [http://www.helsinki.fi/WebEc/](http://www.helsinki.fi/WebEc/)
Jerome Levy Economics Institute [http://www.levy.org](http://www.levy.org)
Inomics [contains economics-only search engine] [http://www.inomics.com](http://www.inomics.com)
Nouriel Roubini [http://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html](http://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html)
Brad DeLong [http://econ161.berkeley.edu/](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

<table>
<thead>
<tr>
<th>WEEK NO. Commencing</th>
<th>LECTURE TOPIC</th>
<th>TUTORIAL TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1    July 31</td>
<td>Unemployment and Inflation  I</td>
<td></td>
</tr>
<tr>
<td>2    August 7</td>
<td>Unemployment and Inflation  II</td>
<td></td>
</tr>
<tr>
<td>3    August 14</td>
<td>The Design of Macroeconomic Policy I</td>
<td>1: Unemployment and Inflation</td>
</tr>
<tr>
<td>4    August 21</td>
<td>The Design of Macroeconomic Policy II</td>
<td></td>
</tr>
<tr>
<td>5    August 28</td>
<td>Monetary Policy  I</td>
<td>2: Policy Design</td>
</tr>
<tr>
<td>6    September 4</td>
<td>Monetary Policy  II</td>
<td></td>
</tr>
<tr>
<td>7    September 11</td>
<td>Fiscal Policy  I</td>
<td>3: Monetary Policy</td>
</tr>
</tbody>
</table>

MID-SEMESTER BREAK: SATURDAY 16 SEPTEMBER TO MONDAY 2 OCTOBER

ESSAY DUE TUESDAY 3 OCTOBER 6.00PM

| 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


1. UNEMPLOYMENT AND INFLATION


### 2. THE DESIGN OF MACROECONOMIC POLICY


3. MONETARY POLICY


**4. FISCAL POLICY**


5. WAGES AND LABOUR MARKET POLICIES


6. EXTERNAL POLICY


