UNIT OUTLINE

ECON823 - MACROECONOMICS

March 2003

Marc Lombard
Lecturer-in-Charge
ECON823 - MACROECONOMICS
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Unit description

This unit is intended primarily for postgraduate students with a non-macroeconomic 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.

LECTURES/TUTORIALS
There will be one three-hour session (consisting of a two-hour lecture and one-hour tutorial), each week, on Thursdays, 5-8 pm, in Room W5C-311.

LECTURER
Marc Lombard,
Room C5C-389, Ph.: 9850 8501, Email: marc.lombard@mq.edu.au
Consultation times will be announced at the beginning of the course.

ASSESSMENT
The assessment will consist of:
- A mid-semester test (in lecture week 5), worth 20% of the marks
- Tutorial questions, worth 10%
- A final examination (2 hours) covering the whole course, worth 70%

Important Notice

It is essential for the successful completion of this course that:
1. Students attend all sessions, as the examination includes material discussed in the lectures
2. Students are fully conversant, each week, with the concepts and issues presented during lecture time.
3. Students are acquainted with the recommended reading material.
LECTURE PROGRAM

Topic 1 - Introduction to Macroeconomics
  Economic Problem
  Real vs Nominal Values
  Economic Systems
  Major Macroeconomic Objectives

Topic 2 - Economic Growth
  Circular Flow of Income
  Business Cycle
  Calculating Gross Domestic Product
  Interpretation of International Comparisons
  Potential Growth and Output Gap

Topic 3 - Unemployment
  Measurement
  Causes
  Policies to Reduce Unemployment

Topic 4 - Inflation
  Measuring Inflation
  Effects
  Causes
  Deflationary Policies

Topic 5 - Income and Expenditure
  Consumption and Saving
  Investment
  Expenditure Multiplier
  Inflationary and Deflationary Gaps

Topic 6 - Monetary Sector & Monetary Policy
  Money Supply & Money Demand
  Credit Creation
  Open Market Operations
  Interest Rates
  Monetary Transmission Mechanism

Topic 7 - Fiscal Policy
  The Budget: Structural and Cyclical Components
  Financing the Budget Deficit
  Impact of Expenditure and Taxation
  Public Debt

Topic 8 - Effectiveness of Macroeconomic Policy
  IS-LM Model
  Issues in Fiscal Policy: "Crowding out" vs "Crowding in"
  Fiscal Consolidation vs Fiscal Expansion
Topic 9 – Schools of Thought
Macroeconomic Controversies
Classical & Neoclassical
Keynesian, New and Post Keynesian
Monetarist, New Classical

Topic 10 - Aggregate Supply and Demand (AS & AD)
Classical and Keynesian AS curves
AS & AD shocks
The Philips Curve

Topic 11 - External Sector
Balance of Payments
Trade and Inelasticities
Exchange Rates

Topic 12 – International Monetary Systems
Macroeconomic Policy and Exchange Rate Regimes (IS-LM-BP)
Insulation and Monetary Independence
Inflation Rate Dependency and Purchasing Power Parity
Causes of Exchange Rate Volatility
Policy Responses to Current Account Imbalances
Do Current Account Deficits Matter?

The numbering of topics above is not related to the number of lecture weeks. Some topics are shorter/longer than others.

REFERENCES
Recommended text:

Additional references:
• Macroeconomic texts:

• General references on the Australian economy:

• Statistical data:
- Australian Bureau of Statistics, *Australian Economic Indicators*, monthly
- 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**
- OECD: [www.oecd.org](http://www.oecd.org)
- The Economist: [www.economist.com](http://www.economist.com)

**Reading Guide**

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(*) copies are available in ERIC

**ENQUIRIES**
Any enquiries about the unit should be directed to Marc Lombard, lecturer-in-charge, room C5C-389, tel. 9850 8501, email: marc.lombard@mq.edu.au