Division of Economic and Financial Studies

UNIT OUTLINE

SEMESTER 2, 2005

ECON823 MACROECONOMICS

UNIT CONVENOR: BILL JUNOR
I. UNIT DESCRIPTION:

This unit is concerned with macroeconomic theory and policy issues. Topics covered include the determination of aggregate output and cyclical fluctuations in economic activity, saving and investment, the monetary sector, fiscal and monetary policy, the external sector, the balance of payments and exchange rates, and, inflation and unemployment.

ECON823 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) programs. Whilst the unit requires no previous knowledge, it is an intensive, accelerated course that aims to bring students to an intermediate level of macroeconomics.

II. 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, and to the various competing theories of inflation and unemployment. 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.

III. LECTURE TIME AND LOCATION:

Time – Thursday 5pm – 8pm
Location – X5B-039

IV. TEACHING STAFF:

Bill Junor (Lecturer-in-charge)
C5C-377 (X8465)
email: wjunor@efs.mq.edu.au
V. ASSESSMENT:

Two class tests (in weeks 5 and 9; 1 hour duration) 30%

Tutorial questions (Exercise sets 1 to 10 inclusive) 10%

Final examination (in week 13; 2 hours duration) 60%

VI FINAL EXAMINATION:

The final examination in this unit will be held in room X5B-039 on Thursday 10 November from 5.50pm – 8pm. You are required to present yourself for examination at the time and place designated above.

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at http://www.reg.mq.edu.au/Forms/APSCon.pdf

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups 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.

VI TEXTBOOK:

There is no textbook for this unit. The following references should prove useful:


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:

ABS Time Series Service   gopher://gopher.statistics.gov.au

Other useful sites include:


Reserve Bank of Australia   http://www.rba.gov.au

Inomics [contains economics-only search engine]   http://www.inomics.com

VII. COURSE REQUIREMENTS:

Students should attend all lectures and tutorials. There will be one three-hour session (lectures and tutorials) each week on Thursday, 5pm to 8pm in room X5B-039.

A passing grade in this unit requires i) a pass in the final examination; and, ii) satisfactory performance in the other two components of the assessment (two class tests and ten exercise sets).

VIII. 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 Postgraduate Studies 2005* (pp. 158-9).
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.

**IX. 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.


**X. COURSE OUTLINE:**

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>READING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction to macroeconomics</td>
<td>B + S, Ch. 1.</td>
</tr>
<tr>
<td></td>
<td>S + N, Chs. 1, 2, 10.1</td>
</tr>
<tr>
<td></td>
<td>S + J, Ch. 1.</td>
</tr>
<tr>
<td>2. Output and National Accounting</td>
<td>B + S, Ch. 2 (2.1), Appendix 1.</td>
</tr>
<tr>
<td></td>
<td>S + N, Ch. 10 (incl Appendix).</td>
</tr>
<tr>
<td></td>
<td>S + J, Ch. 3.</td>
</tr>
</tbody>
</table>
3. The Income-Expenditure Model
   A) Macroeconomic equilibrium
      B+S, Ch. 3
   B) The Simple Keynesian Multiplier model
      S+N, Ch. 11
   C) Extensions to the Simple Keynesian Multiplier model
      S + J, Chs. 4, 5, 6 (6.1 - 6.4, 6.8 - 6.11)

4. Consumption theory
   B+S, Ch. 16 (pp 357-364)
   S+J, Chs. 5 (5.2), 7 (7.1-7.2)

5. Investment theory
   B+S, Ch. 16 (pp 364-373)
   S+J, Ch. 7 (7.3-7.6)

6. Demand for money and the money market
   B+S, Ch. 4
   S+N, Ch. 13
   S+J, Chs. 8 (8.1), 10 (10.1-10.2, 10.5)

7. Supply of money
   B+S, Ch. 4
   S+N, Ch. 13
   S+J, Chs. 8, 9

8. The IS – LM model
   B+S, Ch. 5
   S+J, Ch. 11

9. Monetary and fiscal policy
   B+S, Chs. 5, 17
   S+N, Ch. 17
   S+J, Chs. 6 (6.5-6.7, 6.12), 11 (11.8)

10. The AS – AD model
    B+S, Chs. 6, 7
    S+N, Ch. 12 (12.1-12.3)
    S+J, Ch. 12

11. Inflation and unemployment
    B+S, Chs. 8, 9
    S+N, Ch. 12 (12.4-12.5)
    S+J, Chs. 15, 16

12. The external sector, the balance of payments and exchange rates
    B+S, Chs. 18-21
    S+N, Ch. 16
    S+J, Chs. 13, 14
## XI. UNIT CALENDAR

<table>
<thead>
<tr>
<th>Lecture</th>
<th>Lecture Topic</th>
<th>Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 4 Aug</td>
<td>Introduction to macroeconomics; Output and National Accounting</td>
<td></td>
</tr>
<tr>
<td>2 11 Aug</td>
<td>Macroeconomic equilibrium; The Simple Keynesian Multiplier model</td>
<td>Submit Exercise Set 1</td>
</tr>
<tr>
<td>3 18 Aug</td>
<td>Extensions to the Simple Keynesian Multiplier model</td>
<td>Submit Exercise Set 2</td>
</tr>
<tr>
<td>4 25 Aug</td>
<td>Consumption theory; Investment theory</td>
<td>Submit Exercise Set 3</td>
</tr>
<tr>
<td>5 1 Sep</td>
<td>Demand for money and the money market</td>
<td>First class test 5pm – 6pm</td>
</tr>
<tr>
<td>6 8 Sep</td>
<td>Demand for money and the money market (continued); Supply of money</td>
<td>Submit Exercise Set 4</td>
</tr>
<tr>
<td>7 15 Sep</td>
<td>The IS – LM model</td>
<td>Submit Exercise Set 5</td>
</tr>
</tbody>
</table>

**Mid-semester break: 17 September – 3 October**

<table>
<thead>
<tr>
<th>8 6 Oct</th>
<th>Monetary and fiscal policy</th>
<th>Submit Exercise Sets 6 and 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 13 Oct</td>
<td>The AS – AD model; Inflation and Unemployment</td>
<td>Second class test 5pm – 6pm</td>
</tr>
<tr>
<td>10 20 Oct</td>
<td>Inflation and Unemployment (continued)</td>
<td>Submit Exercise Set 8</td>
</tr>
<tr>
<td>11 27 Oct</td>
<td>The external sector, the balance of payments and exchange rates</td>
<td>Submit Exercise Set 9</td>
</tr>
<tr>
<td>12 3 Nov</td>
<td>The external sector, the balance of payments and exchange rates (continued)</td>
<td>Submit Exercise Set 10</td>
</tr>
<tr>
<td>13 10 Nov</td>
<td>Revision</td>
<td>Final examination 5.50pm – 8pm X5B-039</td>
</tr>
</tbody>
</table>

The Exercise Sets are to be handed in at the beginning of each lecture in Weeks 2, 3, 4, 6, 7, 8(two sets), 10,11 and 12. They will be marked and returned in the following week’s lecture. All exercise sets contain several multiple-choice questions that are representative of the multiple-choice questions that will be included in the two within-semester examinations and the final examination. Your answers to these questions in the exercise sets should include the response you believe to be correct (A, B, C or D) **together with a brief reason for nominating that response as the correct one.**