ECON823 – MACROECONOMICS

Second semester 2010
Unit convenor: Marc Lombard

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.

ABOUT THIS UNIT

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

TEACHING STAFF AND CONTACT DETAILS

Marc Lombard
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Telephone: 9850 8501,
Email: marc.lombard@mq.edu.au

UNIT WEB PAGE

The unit uses a Blackboard web page that can be accessed via http://learn.mq.edu.au/you should check this web page regularly. If you are unable to access the website because you are not aware of or have forgotten your username and password, please contact the IT helpdesk located on Level 1 of the Library on 9850 6500. The IT helpdesk will also be able to assist you with using Blackboard. Please note that there is also a help feature in Blackboard and you may refer to this instead for assistance in using Blackboard.

If you have any problems accessing this web page you should go the Online Teaching Facility support web page at http://online.mq.edu.au/docs/tecinf.html

CONSULTATION TIMES

Consultation times will be announced at the beginning of the course. Students experiencing significant difficulties with any topic in the unit are strongly encouraged to seek assistance immediately. Please note however that staff will only answer emails sent from official Macquarie University email accounts.
CLASSES

There will be one three-hour session each week, on **Thursdays, 6-9 pm**, in **Room E7B-264**

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.

RECOMMENDED TEXT AND REFERENCES

**IMPORTANT NOTE:** The following references are only a complement to lecture notes: they are **NOT** a substitute.

**Recommended:**


**Other Useful References** (in alphabetical order):


All these books are available in the library:

**Useful websites**

- International Monetary Fund, IMF: [www.imf.org](http://www.imf.org)
- OECD: [www.oecd.org](http://www.oecd.org)
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.

At the completion of this unit, students should be able to:
1. be conversant with major macroeconomic theories;
2. apply and critically evaluate some of the basic macroeconomic models and theory in order to analyse real economic problems;
3. understand and appreciate current major macroeconomic issues;
4. appreciate the importance and impact of economic policies on society;
5. critically analyse, compare and examine the motives behind economic policies.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world. Through these Learning Outcomes, this unit contributes to the development of the following Graduate Capabilities:

<table>
<thead>
<tr>
<th>Learning Outcomes</th>
<th>MQ Graduate capabilities which the unit contributes to explicitly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, 2, 3, 4, 5</td>
<td>Discipline Specific Knowledge and Skills; Critical Analytical and Integrative Thinking</td>
</tr>
<tr>
<td>2, 3, 4, 5</td>
<td>Problem Solving and Research Capability</td>
</tr>
<tr>
<td>2, 3, 4, 5</td>
<td>Engaged and Ethical Local and Global citizens</td>
</tr>
<tr>
<td>2, 3, 4, 5</td>
<td>Creative, Innovative and capable of Professional Judgement</td>
</tr>
<tr>
<td>2, 3, 4, 5</td>
<td>Capable of Professional and Personal Judgement and Initiative</td>
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TEACHING AND LEARNING STRATEGY

The teaching strategy in ECON823 recognises that students learn independently and assume responsibility for the learning process and with academic integrity. The teaching philosophy is articulated as follows:

Lectures – large group learning (3 hours each teaching week)

Lectures are intended to provide an overview of macroeconomics both in theory and practice. The lectures will also provide students with a good understanding of major and current economic issues around the world.

Independent Learning - learning by doing (approximately 6 hours each teaching week and 9 hours each week during the mid-semester recess)

ECON823 relies heavily on independent learning where students read the relevant chapters, revise lecture notes, understand questions that will be regularly asked in class and extend themselves by doing additional reading, questions, exercises and problems.

Class Practice Tests – (15-20 minutes each teaching week)

Students will be asked to answer unseen questions from the previous week’s lecture and reading material. This teaching strategy will enable students to regularly practise questions under ‘mock’ examination conditions. The solutions to these questions will be provided and discussed in class. This objective of this strategy is to provide each student with immediate feedback on their answers with the expectation that this will assist and deepen their understanding on international trade.

ASSESSMENT

The total marks for ECON823 will be calculated as follows:

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Weighting</th>
<th>Date</th>
<th>Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Test 1</td>
<td>20%</td>
<td>Week 4</td>
<td>1-5</td>
</tr>
<tr>
<td>Class Test 2</td>
<td>20%</td>
<td>Week 8</td>
<td>1-5</td>
</tr>
<tr>
<td>Final Examination</td>
<td>60%</td>
<td>Examination Period</td>
<td>1-5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td></td>
<td></td>
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</table>

Class Tests: (40%)

Class tests 1 and 2 will be conducted in the first hour of lectures in Week 4 and 8, respectively, of the scheduled classes. The structure and examinable content will be provided to students in due course.

It is important to note that absence from class tests will result in a mark of zero, unless a student’s 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.
**Final Examination: (60%)**

The Final Examination timetable details are as follows:

**Day and Date:** Thursday 11th November, 2010.  
**Time:** 6pm-8pm  
**Room Location:** E7B-264

The final examination will be of two (2) hour duration and all the material in the entire course is examinable. The information on the structure of the final examination will be provided in due course.

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. 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.

**Important Notice:**

Students must pass the **final examination** in order to satisfactorily complete ECON823. Failure to fulfil this condition will involve **automatic** failure in this unit.

**Note:** It is also Macquarie University policy **not** to set early examinations for individual 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. Therefore, please **do not request** an earlier exam.

**Determination of Overall Grade**

Please refer to the University Handbook.

The following range of standardised numerical grades applies as follows:

- **HD** = High Distinction     85 - 100
- **D**  = Distinction             75 - 84
- **CR** = Credit                    65 - 74
- **P**  = Pass                   50 - 64
- **PC** = Conceded Pass    45 - 49
- **F**  = Fail                         0   - 44

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

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

Ref: Blanchard & Sheen, chapters 1, 2

**Topic 2: THE GOODS MARKET**
- The Composition of GDP
- Business Cycle Analysis
- Income and Expenditure Analysis
- Consumption and Saving
- Investment
- Expenditure Multiplier
- Inflationary and Deflationary Gaps

Ref: Blanchard & Sheen, chapter 3

**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

Ref: Blanchard & Sheen, chapters 4, 14, 22

**Topic 4: GOODS AND FINANCIAL MARKETS: The IS-LM MODEL**
- The Goods Market and the IS Relation
- Financial Markets and the LM Relation
- The IS-LM Model
- Policy Mix
- Monetary and Fiscal Policy: Lags and Inflation

Ref: Blanchard & Sheen, chapter 5
Topic 5: THE LABOUR MARKET
- Measurement of Unemployment
- The Labour Force
- Causes of Unemployment: Classical, Keynesian, New Classical
- The Philips Curve
- The Natural Rate of Unemployment

Ref: Blanchard & Sheen, chapters 6, 8

Topic 6: THE AS-AD MODEL
- Aggregate Supply
- Aggregate Demand
- Equilibrium in the short run
- Equilibrium in the long run

Ref: Blanchard & Sheen, chapter 7

Topic 7: INFLATION
- Effects of Inflation
- Causes of Inflation
- Deflationary Policies
- Inflation targeting

Ref: Blanchard & Sheen, chapters 9, 26

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

Ref: Blanchard & Sheen, chapters 10, 11, 12, 13

Topic 9: 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

Ref: Blanchard & Sheen, chapters 9, 26
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/. Penalties may include a deduction of marks, failure in a unit, and/or referral to the University Discipline Committee.

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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.

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.
http://www.businessand economics.mq.edu.au/for/new and current students/undergraduate current students/bess

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