ECON311
Macroeconomic Policy

Semester 2, 2011

Unit Outline

Department of Economics
ECON311
MACROECONOMIC POLICY

MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE

Year and Semester: Semester 2, 2011

Unit convenor: Lance Fisher

Prerequisites: Macroeconomic Analysis (ECON204) and Introductory Econometrics (ECON241)

Corequisites: Nil

Credit Points: 3

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

ABOUT THIS UNIT

The unit is concerned with the design and implementation of macroeconomic policy in Australia and in other industrialised economies. The unit is one of the capstone units for the BEc degree. The primary objective of the unit is to provide students with a thorough understanding of how macroeconomic policy is designed, formulated and implemented in Australia and elsewhere. The unit will provide students with a thorough understanding of contemporary macroeconomic policy. Macroeconomic policy will be discussed in the context of a consistent and modern analytical framework. There will be reference throughout the unit to macroeconomic data from Australia and other countries to put contemporary macroeconomic policy in a historical and contemporary context.

TEACHING STAFF

<table>
<thead>
<tr>
<th>Unit Convenor and Administrator</th>
<th>Room</th>
<th>Telephone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lance Fisher</td>
<td>E4A 435</td>
<td>9850 8480</td>
<td><a href="mailto:lance.fisher@mq.edu.au">lance.fisher@mq.edu.au</a></td>
</tr>
</tbody>
</table>

CONSULTATION TIMES

My consultation times will be posted on the unit’s website in Week 1. I will be available for three hours per week to conduct consultations on a drop-in basis.
You are encouraged to seek help at a time that is convenient to you during my regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. I will not conduct any consultations by e-mail. Please note however that I will only answer emails sent from official Macquarie University email accounts. You may, however, phone during my consultation hours.

Students experiencing significant difficulties with any topic in the unit are strongly encouraged to seek assistance immediately.

**CLASSES**

There is one three-hour lecture per week at the following time and place:

- **Day Class:** Tuesday 10am – 1pm  E7B T3
- **OR**
- **Evening Class:** Tuesday 6pm – 9pm  W6B 345

The timetable for classes can be found on the University web site at: [http://www.timetables.mq.edu.au/](http://www.timetables.mq.edu.au/)

**TEXT**

The prescribed text for the unit is:


Two copies of the 2011 edition of the textbook have been placed in the Reserve Section of the Library. There are also copies of the earlier editions (the 2010 economic crisis update edition and the 2008 edition) of the book in the library.

Up-to-date commentaries and data on the Australian economy can be found in the following:


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


**TECHNOLOGY USED AND REQUIRED**

There are no special technology requirements in this unit.
UNIT WEB PAGE

Course material is available on the learning management system (Blackboard).

The following information will be available on Blackboard:

<table>
<thead>
<tr>
<th>• Unit Outline</th>
<th>• Announcements</th>
</tr>
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<tbody>
<tr>
<td>• Lecture slides and exercises</td>
<td>• Lecture exercises solutions</td>
</tr>
<tr>
<td>• Information on Assessments</td>
<td>• Contact details</td>
</tr>
<tr>
<td>• Consultation hours</td>
<td>• Other relevant material</td>
</tr>
</tbody>
</table>

You are strongly encouraged to regularly visit the website and use it as a resource centre to assist with your learning.

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 contacted the helpdesk in regard to your username and password and you are still unable to login to Blackboard you should then contact the Unit Administrator.

Please remember to log out when you have finished using Blackboard. Failure to do so could result in unauthorised access to your Blackboard account.

LEARNING OUTCOMES AND GRADUATE CAPABILITIES

At the end of this course you will be able to:

- Understand how the current settings of monetary and fiscal policy were determined in the context of the current economic environment and within a logically consistent analytical framework.
- Evaluate the effectiveness of current monetary and fiscal policy in achieving stated economic outcomes and be able to participate to the economic policy debate in an informed way.
- Source and use macroeconomic data.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students’ generic skills and capabilities in a range of areas. One of the aims of this unit is that students develop the following graduate capabilities:

- Foundation skills of literacy, numeracy and data gathering technology;
- Critical analysis skills;
- Problem-solving skills;
- Engaged and Ethical Local and Global citizens;
- Capable of Professional and personal Judgement and Initiative;
- Creative thinking skills.
LEARNING AND TEACHING STRATEGY

This unit is taught in a three hour block as a lecture. However, part of the last hour of the lecture will generally be allocated to working through assigned questions either from the textbook or developed by the lecturer. The purpose of this is to reinforce the material covered in the lecture.

Lectures – large group learning (3 hour block each teaching week)
Lectures are intended to provide overviews of the conceptual framework and economic data that are critical to the core themes of the unit namely, the design and implementation of macroeconomic policy in Australia and elsewhere. Students are expected to read the relevant chapters and assigned readings before each lecture.

Independent learning – learning by doing (about 7 hours each teaching week and 10 hours each week during the 2-week mid-semester recess)
ECON311 relies heavily on independent learning where students read the relevant chapter and assigned journal articles, revise the lecture notes, prepare answers to the assigned questions covered in the last hour of the lecture and extend themselves by doing additional reading, questions, exercises, problems and sourcing macroeconomic data.

At the end of each week, solutions to the assigned questions worked through in the last hour of that weeks lecture will be posted on the unit website.

LECTURE PROGRAM

Week 1: Trends and Cycles in Macroeconomic Data
  Chapter 7, pages 170-180.
  Chapter 8, pages 198-213.
  Chapter 9, entire chapter.
  Chapter 10, entire chapter.


Week 2: Economic Shocks and Short-Run Fluctuations in Economic Activity
  Chapter 4, pages 67-72.
  Chapter 16, pages 425-429.
  Chapter 11, entire chapter.

Week 3: Contemporary Monetary Policy
  Chapter 12, entire chapter.
Week 4: The Operating Procedures of the Reserve Bank of Australia and Inflation Targeting


Week 5: Stabilization Policy and the AS/AD Framework

Chapter 13, pages 334-353

Week 6: Stabilization Policy and Taylor Rules
MID-SEMESTER TEST (Date and Time to be announced)

Chapter 13, pages 353-366.
Chapter 13, worked exercise #9, page 371

Week 7: The Global Financial Crisis

Chapter 14, entire chapter


Gruen, David (2009) “Reflections on the Global Financial Crisis” *Economic Roundup* Issue 2, pages 51-65. (*Economic Roundup* is a publication of the Australian Treasury). This reference can be found at:


MID-SEMESTER BREAK

Week 8: Consumption

Chapter 15, entire chapter.


Week 9: Fiscal Policy and Government Debt

**ASSIGNMENT DUE: 5pm October 12 in BESS**

Chapter 8, pages 214-219.
Chapter 17, entire chapter.

Commonwealth of Australia, *Intergenerational Report 2010*. (Read the Executive Summary on pages vii-xxvi). This report may be accessed at:


de Silva, Ashton and Sinclair Davidson (2009) “Are Retail Sales Well Above Expectations” Institute of Public Affairs, June. This reference can be found at:


Week 10: Exchange Rate Regimes and Macroeconomic Policy

Chapter 18, pages 476-483, 492-498.
Chapter 19, entire chapter.


Week 11: Economic Growth I: Capital Accumulation and the Solow Growth Model

Chapter 5, entire chapter.

Week 12: Economic Growth II: Determinants of Long-Run Economic Growth: Romer’s Idea’s Model

Chapter 6, entire chapter excluding the appendix

Week 13: Macroeconomic Policy: The Current Consensus and Unresolved Issues

Chapter 20, entire chapter

**SUMMARY OF LECTURE PROGRAM**

<table>
<thead>
<tr>
<th>Week</th>
<th>Lecture</th>
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<tbody>
<tr>
<td>1 (August 2)</td>
<td>Trends and Cycles in Macroeconomic Data</td>
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<tr>
<td>2 (August 9)</td>
<td>Economic Shocks and Short-Run Fluctuations in Economic Activity</td>
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<tr>
<td>3 (August 16)</td>
<td>Contemporary Monetary Policy</td>
</tr>
<tr>
<td>4 (August 23)</td>
<td>The Operating Procedures of the Reserve Bank of Australia and Inflation Targeting</td>
</tr>
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<td>5 (August 30)</td>
<td>Stabilization Policy and the AS/AD Framework</td>
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<tr>
<td>6 (September 6)</td>
<td>Mid-Semester Test (Date and Time to be announced)</td>
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<td>7 (September 13)</td>
<td>Mid-Semester Break</td>
</tr>
<tr>
<td>8 (October 4)</td>
<td>Consumption</td>
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<tr>
<td>9 (October 11)</td>
<td>Assignment Due (in BESS by 5pm October 12) Fiscal Policy and Government Debt</td>
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<tr>
<td>10 (October 18)</td>
<td>Exchange Rate Regimes and Macroeconomic Policy</td>
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<tr>
<td>11 (October 25)</td>
<td>Economic Growth I: Capital Accumulation and the Solow Growth Model</td>
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<tr>
<td>12 (November 1)</td>
<td>Economic Growth II: Determinants of Long-run Economic Growth: Romer’s Idea’s Model</td>
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<td>13 (November 8)</td>
<td>Macroeconomic Policy: The Current Consensus and Unresolved Issues</td>
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**RESEARCH AND PRACTICE**

This unit gives you practice in applying research findings in your assignment and provides you with the background to conduct your own research.
### RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
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<tbody>
<tr>
<td>Title/Name</td>
<td>Midsession Exam</td>
<td>Assignment</td>
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<tr>
<td>Description</td>
<td>One (1) hour (plus 10 minutes reading time)</td>
<td>Provide a short answer to questions either of an analytical nature and/or based on Australian data</td>
</tr>
<tr>
<td>Due Date</td>
<td>Week 6 (Date and Time to be announced)</td>
<td>Week 9 (Wednesday, October 12 by 5pm)</td>
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<td>% Weighting</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Grading method</td>
<td>In the last hour of each lecture, worked exercises on the lecture material will be covered. Your midsession exam is one (1) hour plus 10 minutes reading time. It will be based primarily on the exercises covered in the last hour of lectures presented from Weeks 1 to 5.</td>
<td>Provide a clear analytical framework in which to express your answers. You may need to reference Australian data. You do not need to provide an extensive list of references in your answers.</td>
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<tr>
<td>Submission Method</td>
<td>Submit in BESS</td>
<td>Keep a copy of your assignment</td>
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### Learning Outcomes assessed:

1. **Knowledge of material presented in lectures and textbook**
   - Familiarity with Australian macroeconomic data

2. **Problem Solving using analytical methods**
   - Discuss issues in an analytical framework with reference to Australian data
   - Use analytical methods to answer questions

3. **Clear and concise English expression**

A final examination is included as an assessment task for this unit to provide assurance that:

i) the product belongs to the student and

ii) the student has attained the knowledge and skills tested in the exam.
A 2 hour final examination for this unit will be held during the University Examination period.

The University Examination period in Second Half Year 2011 is from 14 November to 2 December.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. http://www.timetables.mq.edu.au/exam

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. The University’s policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

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.

The Macquarie University examination policy details the principles and conduct of examinations at the University. The policy is available at: http://www.mq.edu.au/policy/docs/examination/policy.htm

**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.

**ACADEMIC HONESTY**

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

**GRADES**

Please refer to relevant Bachelor Degree rule in the Handbook of Undergraduate Studies.
GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.


SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:
http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

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.

The Faculty of Business and Economics offers additional support for its students such as the Faculty of Business and Economics Student Services, commonly known as BESS (located at E4B 106), Peer Assisted Learning (PAL), etc. Details of these services can be accessed at http://www.businessandeconomics.mq.edu.au/current/undergraduate/bess

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

● Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
● Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.