ECON204
Macroeconomic Analysis

Semester 1, 2012

Department of Economics
ECON204 Macroeconomic Analysis

Year and Semester: 2012, Semester 1

Unit convenor: Fatemeh NAZIFI

Prerequisites: ((Admission to BEc or BCom or BAppFin or BActStud or BCom-ActStud or BComAccg or BCom-ProfAccg or BBA) or (GPA of 2.00)) and (ECON110 and ECON111) and 15cp

Corequisites: None

You should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

Macroeconomics is the study of economic interactions in national and international economies. ECON204 provides a deeper understanding of how the economy works. It looks at the linkages between investment and consumption decisions, government taxation and expenditure decisions, monetary policy, the banking system and the interactions between Australia and the rest of the world. In this unit many we will discuss consumption, saving and investment, unemployment, inflation and business cycles, the term structure of interest rates, stock market indices, and we will investigate the contributions to economic growth and explanations of the balance of payments and exchange rates.

In this unit, the focus is on developing skills in the interpretation of macroeconomic data. Rigorous and logical thinking is encouraged through the analysis of policy issues. A variety of techniques including conceptual questions, numerical problems and analytical questions assist in promoting these skills.

For many ECON204 students, the objective is to learn how different parts of the economy fit together, to understand economic issues and participate in macroeconomic debates. We motivate the use of theory by reference to real world factual examples, by linking models to policy issues, by focusing on international experience and by analyzing how different countries interact within this system.

TEACHING STAFF

Fatemeh NAZIFI (unit convenor), Room: E4A432
email: fatemeh.nazifi@mq.edu.au

Prashan KARUNARATNE (unit administrator), Room: E4A449
email: prashan.karunaratne@mq.edu.au

Tutorial Staff (The list of tutors, their contact details and times will be posted on the unit web page)

For clarification of points in lectures, you should consult the lecturer at the end of the lecture, or in their consultation hours posted on the unit web page http://ilearn.mq.edu.au. In addition, your own tutor can assist you with more extensive questions regarding unit content. Consultation times for the lecturers
and tutors will also be available on the unit web page. If you cannot contact your tutor or lecturer in person you should email them, using ECON204 as the subject of your email. Please ensure that you use your official Macquarie University email account. If you prefer to use another email account please have your student email forwarded to it. All enquiries concerning the administration of the unit (including tutorial arrangements) should be addressed to the unit administrator, Prashan Karunaratne, by email.

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

**CLASSES**

- This unit provides 3 hours face-to-face teaching per week consisting of 1 x 2 hour lecture and 1 x 1 hour tutorial
- The timetable for lectures and tutorials can be found on the University website at: [http://www.timetables.mq.edu.au/](http://www.timetables.mq.edu.au/)

There are two streams of lectures each week at the following times and places:

**Day Lectures:**
- Thursday 10-12
- E7B100
- Lecturer: Fatemeh Nazifi

**Day Lectures:**
- Friday 11-13
- X5BT1
- Lecturer: Fatemeh Nazifi

Lectures are given in parallel and students may attend either stream on a permanent or casual basis without informing the lecturer. Please note that if a lecture room is overfull, the lecturer may ask unseated students to leave. This is a requirement of University health and safety regulations. Lecture slides will be available on the unit web page at [http://ilearn.mq.edu.au/](http://ilearn.mq.edu.au/).

During the semester, unforeseen circumstances may require the cancellation of some lectures and/or tutorials. Any changes will be announced as far as possible in advance both in lectures and on the unit website.

It is assumed that students will attend all lectures and tutorials. Students who miss lectures put themselves at a significant disadvantage for several reasons, including:

(i) Not all the material in the text is covered in the unit, and not all the material in the unit is covered in the text. In some places the text deals with issues in greater depth than is necessary for the unit, and in other places it doesn’t go far enough. The lectures contain all the unit material taught at the level required for the assessment tasks, and are your guide to the unit content. The tutorials will demonstrate the way questions in macroeconomics are approached.

(ii) The lectures and tutorials will include significant guidance about the style and content of the final exam and recommendations about study technique.

(iii) It is difficult (and often impossible) for staff to provide meaningful assistance to students outside class times on topics for which they did not attend the relevant lectures and tutorials.
REQUIRED AND RECOMMENDED TEXTS

Recommended Text:


The text is available for purchase at Co-op Bookshop. There is a free online study resource: http://wps.pearsoned.com.au/au_be_blanchardsheen_macroeoc_3/118/30377/7776691.cw/index.html You can test yourself with many practice questions for each chapter. Also, there are links to interesting and relevant articles on topical issues. No password is required.

UNIT WEB PAGE

Lecture and tutorial material as well as up to date information concerning any aspect of the unit, including any changes to the schedule, will be available to students by logging on to the unit web page at http://ilearn.mq.edu.au.

The following information will be available on ilearn:

<table>
<thead>
<tr>
<th>• Unit Outline</th>
<th>• Announcements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lecture slides</td>
<td>• Online quizzes</td>
</tr>
<tr>
<td>• Results of Assessment tasks</td>
<td>• Tutorials</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 or call 9850 6500. The IT helpdesk will also be able to assist you with using the unit web page. If you have contacted the helpdesk in regard to your username and password and you are still unable to login to the unit web page you should then email details of your problem to the unit administrator, Prashan Karunaratne at prashan.karunaratne@mq.edu.au.

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

LEARNING OBJECTIVES AND OUTCOMES

Subject specific learning outcomes:

- Understand the theoretical models that form the body of contemporary macroeconomics;
- Understand and apply macroeconomic models to various economic problems and issues;
- Understand the associated empirical implications and policy issues

Generic learning outcomes:
• Be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
• Identify, define and analyse problems and recommend creative solutions within real-world constraints.
• Demonstrate a capacity to work independently including the ability to plan and achieve goals.
• Critically evaluate underlying theories, concepts, assumptions and limitations.
• Be intellectually ready to participate in public policy discussions arising in business and government environments;
• Manage, analyse, evaluate and use information efficiently and effectively.

LEARNIG AND TEACHING STRATEGY

This unit is taught as a mix of lectures and tutorials. The lectures are designed to provide the tools which can then be applied in tutorials. The tutorials comprise numerical problems and analytical questions and will be detailed in a separate document on iLearn at the end of week 2. There should be the opportunity to explore issues raised in lectures and to ask questions. The tutorials aim to improve understanding of macroeconomic theory and policy.

Lectures:

Lectures are intended to provide overviews of the conceptual framework and economic data that are critical to the core themes of the unit. Students are expected to read the relevant chapters before each lecture.

Independent learning – learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess).

ECON204 relies heavily on independent learning where students read the relevant chapter, revise the lecture notes, prepare answers to the tutorial questions and extend themselves by doing additional reading, questions, exercises, problems.

Tutorials – beginning in Week 3

Tutorials constitute a critical learning experience of this unit and students must attend them. Group work is an essential part of learning. In ECON204, I emphasise peer-to-peer learning by working as a group through the exercises and learning from others (fellow students and the lecturer). Presenting and explaining concepts to other students will allow you to not only absorb and learn but develop the ability to communicate what you have learnt to others, which will reinforce learning. Together, it will help you fully understand the material in the course. A tutorial is also an active forum to present to the lecturer/tutor difficulties you encountered when preparing for the pre-set tutorial questions. Ask your lecturer/tutor questions and further guidance on how to approach questions. Students are expected attempt the tutorial questions before each tutorial.

Relationship between Assessment and Learning Outcomes

The modes of assessment are designed to ensure that students become familiar with the theoretical models that form the body of contemporary macroeconomics and that they apply macroeconomic models to various economic problems and issues. The assignment will also ensure that the students understand the associated empirical implications and policy issues.

The components of assessment in this course are as follows:

(1) Tutorial Group Presentation 20%
Students will be organised into groups of 3-5 students. You are required to work through the tutorial exercises with your group throughout the semester. Each group then presents the solutions to the class to receive a mark out of 10, which will contribute 10% to your final grad. A separate document detailing the tutorial programme and the pre-set tutorial questions will be made available to students on the web page unit at the end of week 2.

(2) Online quizzes 20% (5% each quiz)

There will be 4 online quizzes in this course, each containing 20 multiple choice questions randomly selected from a test bank and each student will most likely face a slightly different set of questions. The quizzes will be accessed online through the unit web page at http://ilearn.mq.edu.au. All students must access and complete the quiz in the set time period. Students must be aware that IT failures occur and that with large numbers of students, congestion can at times limit access. It is the student’s responsibility to plan for these possibilities and completion of the quiz soon after release is strongly advised. While catastrophic system failures will be taken account of, events such as system outage with three hours to go will not.

Online quizzes will be available on the unit web page on the following dates:

<table>
<thead>
<tr>
<th>Quiz</th>
<th>Released</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Week 3</td>
<td>3pm 16/03 – 6pm 30/03</td>
</tr>
<tr>
<td>2</td>
<td>Week 6</td>
<td>3pm 05/04 – 6pm 20/04</td>
</tr>
<tr>
<td>3</td>
<td>Week 9</td>
<td>3pm 11/05 – 6pm 24/05</td>
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<tr>
<td>4</td>
<td>Week 12</td>
<td>3pm 01/06 – 6pm 08/06</td>
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(3) Final Examination 60%

A 3 hour final examination for this unit will be held during the University Examination Period.

The conditions for the requesting and granting of requests for special consideration in all elements of the assessment are set out below.

REQUIREMENTS TO PASS THE UNIT

The final grade will be determined after consideration of performance in all aspects of the course.

Under the current grading system, a standardised numerical grade (SNG) will be awarded together with a band grade HD, D, Cr, P, or F.

It is important for students to note that the SNG is NOT the weighted aggregate of the raw marks for the above four assessment components. It is rather a detailed grade that is chosen from 0 to 100 based on other criteria as well as the raw marks. For instance, the SNG for a student who gains a raw aggregate mark of 55 but fails the final would be lower than 45 indicating that he/she fails the unit.

As such, an SNG of say 73 or 74 does NOT mean that the student’s aggregate mark is one or two marks below the threshold for a D. It means that his/her work and performance in the unit is of predominantly good quality and did better than other students in the Cr band but not quite of superior quality needed for a D.

Failure to attend any of the assessment components without the submission of an Application for Special Consideration on the grounds of illness or unavoidable mishap together with the required supporting documentation will result in a mark of zero for the assessment.
If you wish to advise of your absence from quizzes, or final examination for reason of illness or unavoidable mishap you must fill out an Application for Special Consideration. The forms are available from the Student Enquiry Service or online at [http://www_reg.mq.edu.au/Forms/APSCon.pdf](http://www_reg.mq.edu.au/Forms/APSCon.pdf). The completed form with appropriate supporting documentation must be submitted to the Student Enquiry Service, not to the Faculty of Business and Economics.

For absence related to illness you will need to include an EFS Professional Authority Advice Form. Students granted special consideration for a quiz will not be able to resit the quiz. Their assessment on the remaining components of the course will be scaled up proportionally. Students granted Special Consideration for the missed mid semester test will be required to sit the test at a later time. Granting of Special Consideration for the final exam will permit students to sit for a supplementary examination.


The University Examination period in First Semester 2012 is from 12/06/2012 to 29/06/2012.

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](http://www.timetables.mq.edu.au/exam)

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, the final day of the official examination period.

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.mq.edu.au/policy/docs/s/procedure_specialconsideration.htm](http://www.mq.edu.au/policy/docs/s/procedure_specialconsideration.htm)

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. Students are advised that if they are granted a Supplementary Examination they are expected to present at the scheduled time and that requests for secondary supplementary examinations are not normally considered.

**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 in the *Handbook of Undergraduate Studies* or on the web at: [http://www.student.mq.edu.au/plagiarism/](http://www.student.mq.edu.au/plagiarism/)

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.
Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at http://www.student.mq.edu.au.

**TOPIC GUIDE**

** denotes obligatory reading and *optional reading.

** Topic 1

Introduction; a brief look at global conditions with a focus on Australia’s recent performance; output and business cycles, inflation, unemployment.

** B&S Chs 1, 2


** Topic 2

The IS -LM model: Short-run goods market and money market equilibrium; monetary policy & fiscal policy; the policy mix – comparing a money supply rule with an interest rate rule.

** B&S Chs 3, 4, 5


** Topic 3

The labour market; wage and price setting in the medium run; the natural rate of unemployment; tax distortions and full employment.

** B&S Ch 6


** Topic 4

The AS-AD model: All markets together from the short run to the medium run; aggregate supply; aggregate demand with a fixed money supply and with an interest rate rule using a price level target; monetary, fiscal and oil price shocks in the AS-AD model.

** B&S Ch 7

* G Stevens “Inflation Targeting: A Decade of Australian Experience” RBA 2003,

**Topic 5**
*Evolution of the Phillips curve; theories of expected inflation; the sacrifice ratio*

** B&S Chs 8, 9

**Topic 6**
The Long run: Sources and theories of economic growth and productivity; convergence across countries - PPP comparisons; growth over 2000 years; savings and capital accumulation; the golden rule savings rate

** B&S Chs 10, 11

**Topic 7**
*Technology, population growth and the Solow model; institutions, technological progress and growth*

** B&S Chs 12,

**Topic 8**
*Expectations - expected presented discounted value; nominal vs real interest rates; interest rates and monetary policy; the Fisher hypothesis; macroeconomic determinants of the yield curve or term structure; and of stock market prices; housing prices; expectations and consumption & investment; Tobin’s q; expectations and the IS-LM model.*

** B&S Chs 14, 15, 16, 17

**Topic 9**
The macroeconomics of financial market crises.

** B&S Chs 22

**Topic 10**
The exchange rate; nominal & real, bilateral & multilateral exchange rates; the balance of payments; interest parity condition; the goods market in an open economy; exchange rates and net exports; J-curve; saving, investment and the trade balance.

** B&S Chs 18, 19

**Topic 11**
The Mundell-Fleming model under floating exchange rates (with interest rate setting and inflation targeting); fixed exchange rates and exchange rate crises; exchange rate overshooting; choosing the exchange rate regime.

** B&S Chs 20, 21
* I MacFarlane “Recent Influences on the Exchange Rate”, RBA Bulletin December 2000,
### 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](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

### 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:


### 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.

**Note:** 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.