I. COURSE DESCRIPTION:

This course is concerned with macroeconomic policy issues. Macroeconomic theory will be employed to provide the basis for analysis of a number of current issues in policy design and in fiscal, monetary, labour market, and exchange rate policies, with particular reference to the Australian economy.

The unit-specific skills that ECON311 seeks to impart are an analytical and critical approach to the various competing theories of macroeconomic policy and the policy regimes that have been pursued in Australia and in other industrial economies. 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 essay and the tutorial program.

II. LECTURERS:

Weeks 1 - 8          Bill Junor (Lecturer-in-charge)
                      C5C-377  (X8465)
                      email:  wjunor@efs.mq.edu.au

Weeks 9 - 13       Marc Lombard
                      C5C-389  (X8501)
                      email:  mlombard@efs.mq.edu.au

III. ASSESSMENT:

Final Examination (3 hours)    60%

Essay                                      20%

Tutorial quizzes    10%

Tutorial participation     10%

A passing grade in this unit requires both a) a pass mark, or better, in the final examination; and, b) satisfactory performance in the remaining three components of the assessment.
IV. LECTURES:

Day: Tuesday 11am – 1pm C5C T2
Evening: Tuesday 6pm – 8pm E5A 131

V. COURSE REQUIREMENTS:

Students should attend all lectures and tutorials. Tutorials will meet in weeks 3, 5, 7, 9, 11 and 13 only.

Each student is required to submit an essay on the topic listed in Section VI. One mark per day will be deducted from the final mark for essays submitted after the due date without an approved extension of time. Applications for an extension of time must be made, via email, to the lecturer-in-charge, prior to the due date.

VI. ESSAY:

Essays are due no later than 7.30pm on Tuesday, 4 October, 2005. They should be placed in the ECON311 essay box in ERIC (C5C-244).

The length of the essay should be 2000 words (+ or – 5%).

Students must keep copies of their essay (including a disk copy).

Essays must be typed and correct forms of referencing followed.

The essay cover sheet (attached to this unit outline) is to be stapled to the front of your essay. All details on the front of the cover sheet should be completed and the cover sheet declaration regarding plagiarism on the back of the cover sheet must be signed.

ESSAYS SUBMITTED WITHOUT THE COVER SHEET DECLARATION BEING SIGNED WILL NOT BE MARKED.

Essays should exhibit evidence of wide and critical reading, and students are expected to seek out relevant references. It is expected that essays will incorporate the latest relevant data. Do not cut and paste data series and graphs from other sources - generate your own! Apart from the statistical data sources noted in Section IX below, data from several sources are also available from the ECONDATA ‘dx’ database on the EFS network. Instructions on how to access ‘dx’, select and modify data, and produce graphs will be distributed in a separate handout.
The ‘ECONLIT’ database in the Library website is a good starting point to search for essay references by keyword, author, etc.

ESSAY TOPIC:

BUSINESS CYCLES AND MONETARY POLICY

“Stock and Watson document the moderation in the business cycle across a number of countries in recent years …[and]… attempt to determine whether the moderation in economic volatility was due to improved monetary policy, sectorial changes in the structure of the economy, or smaller economic shocks. Stock and Watson conclude that relatively little of the decrease in volatility is due to monetary policy or structural changes in the economy. Instead, they suggest that most of the decline in volatility appears due to smaller economic shocks in recent years”. (Sellon, G.H. Jr. (2003), “Monetary Policy and Uncertainty: Adapting to a Changing Economy – An Introduction to the Bank’s 2003 Economic Symposium”, in Federal Reserve Bank of Kansas City, Monetary Policy and Uncertainty: Adapting to a Changing Economy, p.xxiv)

Outline the key elements of the contention by the Romers and others that the moderation of volatility in real economic activity since the mid-1980s is the result of improved monetary policy, and also the key elements of the counter arguments of Stock and Watson that the moderation is the result of smaller economic shocks. Critically evaluate the evidence in support of these two contentions and offer your conclusion on whether the “great moderation” was the result of good monetary management (Romer and Romer) or good luck (Stock and Watson). Has Australia experienced similar changes in the business cycle to the G7 countries since 1960?

Starting references:


WARNING: PLAGIARISM IS A SERIOUS ACADEMIC OFFENCE. STUDENTS WHO PLAGIARISE IN WRITING THEIR ESSAYS WILL BE PENALISED AND MAY BE SUBJECT TO DISCIPLINARY ACTION.
VII. TUTORIALS:

Tutorials will be held in Weeks 3, 5, 7, 9, 11, and 13 ONLY.

Tutorials are organised as follows:

i) At the beginning of each tutorial a set of true/false questions will be distributed. These questions will be based on the required (starred) reading and lecture material for each topic. The answer sheets will be completed and handed back to the tutor. Each tutorial quiz is worth 2%.

ii) The remainder of each tutorial will consist of a question and answer session based on the true/false questions. Each student will be asked at least one question during this part of the tutorial. Participation in each tutorial is worth 2%.

iii) The final mark out of 20% for the tutorial quizzes and participation will be determined by omitting the lowest mark obtained in the six tutorials.

The 10% of the final mark for tutorial participation will be assigned for your performance in the tutorials. No marks will be assigned for attendance. However, because you cannot complete the tutorial quiz or perform if you are not present, you will lose 4% points for each tutorial that you fail to attend.

THE MATERIAL COVERED IN THE TUTORIALS IS EXAMINABLE IN THE FINAL EXAMINATION.

VIII. ECON311 WEB SITE:

The unit web site is intended to play an important role in communicating with ECON311 students outside the lecture/seminar setting. You should ensure that you visit the site on a regular basis either from computers located on campus or via the Internet. The basic course information from this Unit Outline will be posted on the public pages of the web site, as will other distributed handouts as they become available.

As well as the public pages there is also a password-protected component of the web site that you login to from the Welcome Page of the ECON311 web page. This part of the site will be used for course announcements, posting of lecture summaries, etc. A bulletin board is also available on which you can post messages relating to the course and queries about material covered in the lectures. These inquiries will be answered by one of the staff teaching in this unit.
To login you require a username and password. Your standard student username and initial password was mailed to you when you enrolled at the beginning of the year. You must change your password within two weeks of the commencement of classes otherwise your account will be disabled. Your new password should be between 6 and 8 characters in length, must contain both letters and numbers, and is case-sensitive. If you have forgotten your password or your account has been disabled, it can be reset by the Library Information Technology Customer Support Desk (ITCSD) or by the Office of Computing Services (OCS) Helpdesk. If you did not receive the letter, contact either the Library ITCSD or the OCS Helpdesk.

When you have finished using the web site you must exit by \textit{CLOSING} Netscape. If you do not close Netscape, other people can continue to use your account, which means that they can access your mail, bulletins and other password-protected material.
IX. REFERENCE BOOKS:

There is no textbook for this course.

GENERAL REFERENCES:


Students are required to be familiar with a number of journal articles and other readings. A reading list for the course is set out in Section XII. Guidance to other reading will be provided in lectures.

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:

- Penn World Tables [http://pwt.econ.upenn.edu/](http://pwt.econ.upenn.edu/)

Other useful sites include:

- WebEc (World Wide Web Resources in Economics) [http://www.helsinki.fi/WebEc/](http://www.helsinki.fi/WebEc/)
- Jerome Levy Economics Institute [http://www.levy.org](http://www.levy.org)
- Inomics [contains economics-only search engine] [http://www.inomics.com](http://www.inomics.com)
- Nouriel Roubini [http://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html](http://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html)
- Paul Krugman [http://www.wws.princeton.edu/~pkrugman/](http://www.wws.princeton.edu/~pkrugman/)
- Brad DeLong [http://econ161.berkeley.edu/](http://econ161.berkeley.edu/)

**X. 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.
### XI. COURSE CALENDAR

<table>
<thead>
<tr>
<th>WEEK NO. Commencing</th>
<th>LECTURE TOPIC</th>
<th>TUTORIAL TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 August 1</td>
<td>Unemployment and Inflation I</td>
<td></td>
</tr>
<tr>
<td>2 August 8</td>
<td>Unemployment and Inflation II</td>
<td></td>
</tr>
<tr>
<td>3 August 15</td>
<td>The Design of Macroeconomic Policy I</td>
<td>1: Unemployment and Inflation</td>
</tr>
<tr>
<td>4 August 22</td>
<td>The Design of Macroeconomic Policy II</td>
<td></td>
</tr>
<tr>
<td>5 August 29</td>
<td>Monetary Policy I</td>
<td>2: Policy Design</td>
</tr>
<tr>
<td>6 September 5</td>
<td>Monetary Policy II</td>
<td></td>
</tr>
<tr>
<td>7 September 12</td>
<td>Fiscal Policy I</td>
<td>3: Monetary Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MID-SEMESTER BREAK:</strong> SATURDAY 17 SEPTEMBER TO MONDAY 3 OCTOBER</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ESSAY DUE TUESDAY 4 OCTOBER 7.30PM**

| 8 October 3         | Fiscal Policy II        |                               |
| 9 October 10        | Wages and Labour Market Policies I | 4: Fiscal Policy |
| 10 October 17       | Wages and Labour Market Policies II |                             |
| 11 October 24       | External Policy I       | 5: Wages and Labour Market Policies |
| 12 October 31       | External Policy II      |                                 |
| 13 November 7       | External Policy III     | 6: External Policy             |
XII. RECOMMENDED READING:

A * INDICATES THAT THE REFERENCE IS REQUIRED READING.

INTRODUCTION – THE AUSTRALIAN MACROECONOMY: POLICY PROBLEMS


1. UNEMPLOYMENT AND INFLATION


### 2. THE DESIGN OF MACROECONOMIC POLICY


3. MONETARY POLICY


**4. FISCAL POLICY**


5. WAGES AND LABOUR MARKET POLICIES


6. EXTERNAL POLICY


MACQUARIE UNIVERSITY

Essay Coversheet Declaration

Unit ............................ Essay Topic ..............................................

Name....................... Student number .........................

I certify that

• This assignment is my own work, based on my personal study and/or research
• I have acknowledged all material and sources used in the preparation of this assignment, including any material generated in the course of my employment
• If this assignment was based on collaborative preparatory work, as approved by the teachers of the unit, I have not submitted substantially the same final version of any material as another student
• Neither the assignment, nor substantial parts of it, have been previously submitted for assessment in this or any other institution
• I have not copied in part, or in whole, or otherwise plagiarised the work of other students
• I have read and I understand the criteria used for assessment
• The assignment is within the word and page limits specified in the unit outline
• The use of any material in this assignment does not infringe the intellectual property / copyright of a third party
• I understand that this assignment may undergo electronic detection for plagiarism, and a copy of the assignment may be retained on the database and used to make comparisons with other assignments in future

Signature ..........................Date ..............................

This declaration is a summary of the University policy on plagiarism. For the policy in full, please refer to Student Information in the Handbook of Undergraduate Studies or http://www.student.mq.edu.au/plagiarism/.