



# ECON311

## Macroeconomic Policy

S2 Evening 2014

*Economics*

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## General Information

Unit convenor and teaching staff

Unit Convenor

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Lecturer

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Thursday 4-5

Credit points

3

Prerequisites

(ECON201 or ECON204) and (ECON232 or ECON241)

Corequisites

Co-badged status

Unit description

This unit is concerned with the formulation and implementation of macroeconomic policy.

Topics include: measurement of the business cycle, inflation targeting, monetary policy rules, the cash rate as the instrument of monetary policy in Australia and how it is set, the impact of economic shocks and the appropriate policy response in both a closed and open economy setting, economic bubbles and the stock and housing markets, the fiscal outlook and public debt and the role of technology and ideas in generating rising living standards. Short-run economic policy will be discussed in the framework of the AD-AS model with an interest rate rule. A version of Romer's model that emphasises the role of ideas is used to explain sustained rises in living standards.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Understand macroeconomic policy in a broad and general framework.

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.

Discuss issues in an analytical framework with reference to economic data.

Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

## Assessment Tasks

Name	Weighting	Due
<u>Class test</u>	30%	Week 7
<u>Assignment</u>	20%	Week 9
<u>Final Examination</u>	50%	University Examination Period

### Class test

Due: **Week 7**

Weighting: **30%**

Your midsession exam is one 1 hour 20 minutes 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 6.

No material is allowed in the exam except for a non-programmable calculator.

On successful completion you will be able to:

- Understand macroeconomic policy in a broad and general framework.
- 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.
- Discuss issues in an analytical framework with reference to economic data.
- Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

## Assignment

Due: **Week 9**

Weighting: **20%**

Description: Provide a short answer to questions either of an analytical nature and/or based on Australian data.

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.

Submission: Submit in **BESS** and **turnitin**. Keep a copy of your assignment. The submission date will be announced on iLearn and in class. There will be no extensions. In the case of unavoidable circumstances students should apply for a special consideration.

Penalties: 4 marks (out of 20) will be deducted for each (calendar) day late.

On successful completion you will be able to:

- Understand macroeconomic policy in a broad and general framework.
- 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.
- Discuss issues in an analytical framework with reference to economic data.
- Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

## Final Examination

Due: **University Examination Period**

Weighting: **50%**

Description: Two (2) hours (plus 10 minutes reading time)

To be held in the University Examination Period for Session 2, 2014.

The final exam will be based on lectures from Weeks 1 to 13 with an emphasis on material presented after the midsession examination.

No material is allowed except for a non-programmable calculator.

**Note that in order to pass the unit you have to get at least 40% in the final exam.**

On successful completion you will be able to:

- Understand macroeconomic policy in a broad and general framework.
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- 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.
- Discuss issues in an analytical framework with reference to economic data.
- Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

## Delivery and Resources

### Classes

There is one three-hour lecture per week. The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

### Prizes

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.

## Required and Recommended Texts and/or Materials

The prescribed text for the unit is:

Jones, Charles I., Macroeconomics, Third Edition, International Student Edition, Norton 2014.

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

Reserve Bank of Australia, *Bulletin*, published monthly: <http://www.rba.gov.au> Department of the Treasury, Economic Roundup, AGPS, Canberra, published quarterly (available online at <http://www.treasury.gov.au/>)

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

- ABS Time Series Service: <http://www.abs.gov.au>
- Budget Papers for Australia: <http://www.treasury.gov.au/>
- Reserve Bank of Australia: <http://www.rba.gov.au>
- National Bureau of Economic Research: <http://www.nber.org/>

## 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 (iLearn).

The following information will be available on iLearn:

Unit Outline	Announcements
Lecture slides and exercises	Lecture exercises solutions
Information on Assessments	Contact details
Consultation hours	Other relevant material

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

## Teaching and Learning 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.

## Unit Schedule

Week	Lecture
1	Trends and Cycles in Macroeconomic Data
2	Economic Shocks and Short-Run Fluctuations in Economic Activity Contemporary Monetary Policy
3	The Operating Procedures of the Reserve Bank of Australia and Inflation Targeting
4	Stabilization Policy and the AS/AD Framework. Stabilization Policy and Taylor Rules
5	The Global Financial Crisis
6	Dynamic Stochastic General Equilibrium Models
7	<b>Class Test</b>
	<b>Mid-semester Break</b>
8	<b>No class</b>
9	<b>Assignment Due</b> Consumption Fiscal Policy and Government Debt
10	Exchange Rate Regimes and Macroeconomic Policy
11	Economic Growth I: Capital Accumulation and the Solow Growth Model
12	Economic Growth II: Determinants of Long-run Economic Growth: Romer's Idea's Model
13	Macroeconomic Policy: The Current Consensus and Unresolved Issues

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy [http://mq.edu.au/policy/docs/grievance\\_management/policy.html](http://mq.edu.au/policy/docs/grievance_management/policy.html)

Disruption to Studies Policy [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html) *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.



## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit <http://informatics.mq.edu.au/help/>.

When using the University's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### Capable of Professional and Personal Judgement and Initiative

We want our graduates to have emotional intelligence and sound interpersonal skills and to demonstrate discernment and common sense in their professional and personal judgement. They will exercise initiative as needed. They will be capable of risk assessment, and be able to handle ambiguity and complexity, enabling them to be adaptable in diverse and changing environments.

This graduate capability is supported by:

#### Learning outcomes

- Understand macroeconomic policy in a broad and general framework.
- 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.
- Discuss issues in an analytical framework with reference to economic data.
- Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

#### Assessment tasks

- Class test
- Assignment
- Final Examination

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge,

scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

## **Learning outcomes**

- Understand macroeconomic policy in a broad and general framework.
- 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.
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- Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

## **Assessment tasks**

- Class test
- Assignment
- Final Examination

## **Critical, Analytical and Integrative Thinking**

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

## **Learning outcomes**

- Understand macroeconomic policy in a broad and general framework.
- 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.
- Discuss issues in an analytical framework with reference to economic data.
- Formulate macroeconomic policy in the context of Australia as a small open economy with the rest of the world.

## **Assessment tasks**

- Class test
- Assignment
- Final Examination

## **Problem Solving and Research Capability**

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

## **Learning outcomes**

- Understand macroeconomic policy in a broad and general framework.
- 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.
- Discuss issues in an analytical framework with reference to economic data.

## **Assessment tasks**

- Class test
- Assignment
- Final Examination

## **Changes from Previous Offering**

The new topic on DSGE models is added.

## **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.