



ECON204

Macroeconomic Analysis

S2 Day 2015

Dept of Economics

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Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

General Information

Unit convenor and teaching staff

Unit Convenor

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E4A 430

Unit/Tutorial Administrator

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Lecturer

Ben Wang

ben.wang@mq.edu.au

Contact via x8500

E4A 432

Credit points

3

Prerequisites

15cp including ECON110 and (GPA of 2.0 (out of 4.0) or (admission to BAppFin or BActStud or BBA or BBusAnalytics or BBusLeadCom or BCom or BCom-Accg or BCom-ProfAccg or BEc or BGlobalBus or BMktgMedia))

Corequisites

Co-badged status

Unit description

This unit builds on the IS-LM model by incorporating expectations into goods and financial markets, by introducing openness and by integrating the labour market. The aggregate supply and demand framework is used to examine the short and medium run effects of monetary and fiscal policy. Other topics include: growth; inflation; unemployment; and financial crises. This unit should enable students to evaluate the recurrent debates on macroeconomic policy and analyse real-world problems.

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 the theoretical models that form the body of contemporary macroeconomics.

Interpret and apply macroeconomic models to various economic problems and issues in finance

Analyse the associated empirical implications and policy issues.

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.

General Assessment Information

NOTE: To pass this unit, you do not need to pass each component of assessment. Your final score is a weighted average of all components.

Assessment Tasks

Name	Weighting	Due
Group Presentation/Engagement	10%	Ongoing
Weekly Online Assignments	10%	Sundays at midnight
Online Quizzes	20%	Week 3, 6, 9, 12
Final Examination(Closed Book)	60%	University Examination Period

Group Presentation/Engagement

Due: **Ongoing**

Weighting: **10%**

Students will be organised into groups of 3-5. All students will work through the tutorial assignments within and as a part of their group, with the group then presenting the solutions to the class, which along with attendance and engagement at tutorials contributes 10% to the final grade. A separate document detailing the tutorial program is available to students on iLearn .

On successful completion you will be able to:

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- Analyse the associated empirical implications and policy issues.
- Be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.

Weekly Online Assignments

Due: **Sundays at midnight**

Weighting: **10%**

Each week from week 3, students must complete an online assignment on MyEconLab. From week 3, on Fridays at 6pm, the tutorial assignment will be available online on MyEconLab (www.myeconlab.com). Each student will have to complete this by the next Sunday at midnight. The assignment will be automatically marked in MyEconLab. Each assignment has equal worth, and the tutorial assignments in aggregate will contribute 10% towards the overall assessment of the unit.

On successful completion you will be able to:

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- Analyse the associated empirical implications and policy issues.
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Online Quizzes

Due: **Week 3, 6, 9, 12**

Weighting: **20%**

There will be four online quizzes in this course, each containing 20 multiple choice questions randomly selected from a test bank. Each student will face a slightly different set of questions. The quizzes will be accessed online through iLearn at <http://ilearn.mq.edu.au>. All students must access and complete the quiz by the closing time. Within this time period, there is no time limit.

Students must be aware that IT failures can 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 any catastrophic system failures will be taken into account, events such as system outage with three hours to go before the quiz closes will not. Online quizzes will be available on iLearn at the

following dates and times:

Quiz Released Availability 1 Week 3 6pm 14 August (Fri) – 6pm 20 August (Thu); 2 Week 6 6pm 4 September (Fri) – 6pm 10 September (Thu); 3 Week 9 6pm 9 October (Fri) – 6pm 15 October (Thu); 4 Week 12 6pm 30 October (Fri) – 6pm 5 November (Thu)

On successful completion you will be able to:

- Understand the theoretical models that form the body of contemporary macroeconomics.
- Interpret and apply macroeconomic models to various economic problems and issues in finance
- Demonstrate a capacity to work independently including the ability to plan and achieve goals.

Final Examination(Closed Book)

Due: **University Examination Period**

Weighting: **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 Disruption for Studies are set out in the Policies and Procedures section of this Unit Guide.

On successful completion you will be able to:

- Understand the theoretical models that form the body of contemporary macroeconomics.
- Interpret and apply macroeconomic models to various economic problems and issues in finance
- Analyse the associated empirical implications and policy issues.
- 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.

Delivery and Resources

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 web site at:
<http://www.timetables.mq.edu.au>

Lectures (2 streams)

DAY AND TIME	VENUE	LECTURERS
Monday 18:00-20:00	Y3A T1 for both	Jeffrey Sheen
and		and
Thursday 14:00-16:00		Ben Wang

Lecture slides will be available on the unit web page at <http://ilearn.mq.edu.au>, and video of the lectures will be available on Echo. During the semester, unforeseen circumstances may require the cancellation of a lecture and/or tutorial. Any changes will be announced as far as possible in advance both in lectures and on the unit website. While attendance at lectures is not compulsory, students are advised that their learning is significantly enhanced by their regular attendance. 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 and/or Materials

Recommended Text

Available from your Local Co-op Bookshop is the physical text with eBook:

"Macroeconomics" with MyEconLab Blanchard and Sheen, 4th edition, 2013 ISBN: 9781486041220 Publisher: Pearson Education

ALTERNATIVELY the following option is available online from pearson.com.au:

Printed text with access code to MyEconLab eBook Go to: www.pearson.com.au/
9781486041220 FREE DELIVERY

This 4th edition is significantly different to the 3rd edition, and students are strongly advised to get access to the 4th edition. DO NOT get the 3rd edition. MyEconLab is a great resource for students - see below

Technology Used and Required

Unit Web Page on iLearn

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:

Unit Guide	Announcements
Lecture slides	Online quizzes
Results of Assessment tasks	Tutorials
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.

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, Kagiso Mangadi at kagiso.mangadi@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.

MyEconLab

A significant amount of support material and assessment for this unit will be from MyEconLab. By enrolling in this unit, you will automatically have access to MyEconLab to complete your assignments. You will get login details for MyEconLab. Make sure you set this up early to do your weekly assignments.

[LOGIN INSTRUCTIONS AVAILABLE IN WEEK 1: Go to www.pearson.com.au/myeconlab. Select the Blanchard-Sheen book, then "Sign in". In the login section (on the right hand side) click on "forgot your login / password". Enter your MQ student email address as 41234567@students.mq.edu.au, where you replace 41234567 with your student ID. Click on "Send my Login name and Password", which will be mailed to your student email address. Using these login details, log in every time to MyEconLab. Enrol in our unit for MyEconLab by entering the course ID: XL1Z-A10Y-2020-0DT2, for our unit Macroeconomic Analysis S2 2015. Once you have entered MyEconLab, on the left hand panel choose "Do Homework". Here you will find each week's assessable assignment questions, which you do individually.]

If you have bought the physical textbook with MyEconLab (and you are very strongly advised to buy it), you will automatically get an e-book version of the textbook. This e-book can be viewed either through MyEconLab on your computer or through the Pearson eText app on your personal

tablet (available on the Apple or Play store.) You are strongly encouraged to regularly visit your MyEconLab for this unit and use it as a resource centre to assist with your learning. It has an excellent section for daily economic News from Australia and the rest of the world (for example, sourced from the ABC, Treasury, Ross Gittins, Financial Times, The Economist, Reuters etc). You can do practice questions from every chapter of the book, and a study plan will be generated to help you understand the areas where you need to do more study.

Teaching and Learning 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:
- Independent learning
- Tutorials –beginning in Week 2

Unit Schedule

TOPIC GUIDE

** obligatory reading; *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 *

Various statements and speeches on monetary policy by Reserve Bank of Australia, eg www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/index.html

**T. Atkin, M. Caputo, T. Robinson and H. Wang (2014), "Macroeconomic Consequences of Terms of Trade Episodes, Past and Present" <http://www.rba.gov.au/publications/rdp/2014/2014-01.html>

* J. Kearns, and P. Lowe (2011), "Australia's Prosperous 2000s: Housing and the Mining Boom", RBA discussion paper series RDP 2011-07. <http://www.rba.gov.au/publications/rdp/2011/pdf/rdp2011-07.pdf>

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 **

Reserve Bank of Australia "Monetary Policy" <http://www.rba.gov.au/monetary-policy/index.html>

*D Romer (2000), Keynesian Macroeconomics Without the LM Curve, *Journal of Economic Perspectives*, Spring, pp 149-169, and also NBER Working Paper No. 7461 [www.nber.org/papers/w7461]

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

* Christopher Kent (2014) "Cyclical and Structural Changes in the Labour Market" <http://www.rba.gov.au/speeches/2014/sp-ag-160614.html>

* Jeff Borland (2011) The Australian labour market in the 2000s: A quiet decade. <http://www.rba.gov.au/publications/confs/2011/borland.pdf>

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 (2003) "Inflation Targeting: A Decade of Australian Experience" RBA 2003, <http://www.rba.gov.au/publications/bulletin/2003/apr/pdf/bu-0403-3.pdf>

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

** B&S Chs 8

* D Gruen, A Pagan, C Thompson (1999) "The Phillips Curve in Australia" RBA 1999, <http://www.rba.gov.au/publications/rdp/1999/1999-01.html>

Topic 6 The macroeconomics of financial market crises.

** B&S Ch 9

* L Ellis (2009) "The Global Financial Crisis: Causes, Consequences and Countermeasures", RBA Bulletin, May 2009 http://www.rba.gov.au/PublicationsAndResearch/Bulletin/bu_may09/Pdf/bu_0509_4.pdf

* B. Bernanke "The Federal Reserve and the Financial Crisis" 2012, <http://www.federalreserve.gov/newsevents/lectures/about.htm>

Topic 7 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

* P. Romer (1994) "The Origins of Endogenous Growth", *Journal of Economic Perspectives*, Winter 1994

* Australian Treasury (2015) "Australia in 2055". <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report>

Topic 8 Technology, population growth and the Solow model; institutions, technological progress and growth

** B&S Chs 12, 13

* R Gordon (2000) "Does the 'New Economy' Measure up to the Great Inventions of the Past?" *Journal of Economic Perspectives*, Fall 2000, & <http://papersdev.nber.org/papers/W7833>

Topic 9 Expectations - expected present 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 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

* Reserve Bank Bulletin (2005), "Recent Trends in World Saving and Investment Patterns" October 2005, <http://www.rba.gov.au/publications/bulletin/2005/oct/pdf/bu-1005-4.pdf>

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

* G Kelly and G La Cava (2013) "Value-added trade and the Australian economy" RBA Bulletin March 2013, <http://www.rba.gov.au/publications/bulletin/2013/mar/pdf/4.html>

* I. MacFarlane (2000) "Recent Influences on the Exchange Rate", RBA Bulletin December 2000, <http://www.rba.gov.au/publications/bulletin/2000/dec/pdf/bu-1200-1.pdf>

Topic 12 Back to Policy: Uncertainty and macro policy; credibility of policy-makers; fiscal policy and government budget constraint, government debt; challenges from the crisis - the liquidity trap, macroprudential policy.

** B&S Chs 22, 23, 24

** R. Gregory (2013) "Living standards, terms of trade and foreign ownership: reflections on the Australian mining boom" April 2012, The Australian Journal of Agricultural and Resource Economics, Special Issue (<http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8489.2012.00588.x/abstract>)

* RDP2014-08 [P. Downes, K.Hanslow and P Tulip The Effect of the Mining Boom on the Australian Economy](#), Reserve Bank of Australia Discussion paper, RDP2014-08 <http://www.rba.gov.au/publications/rdp/index.html>

Learning and Teaching Activities

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

A significant amount of learning in this unit is through learning-by-doing . You are expected to do about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess, in addition to your lectures and tutorials.. ECON204 relies heavily on independent learning where students read the relevant chapters and readings, revise the lecture notes, prepare answers to the tutorial questions and extend themselves by doing additional reading, questions, exercises and problems.□

Tutorials -beginning in Week 2

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 tutorial exercises and learning from others (fellow students and the lecturer/tutor). 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 learned to others, which will reinforce learning. Together, these will help you fully understand the material in the course. A tutorial is also an active forum to present to the tutor difficulties you encountered when preparing for the pre-set tutorial questions. Ask your tutor questions and further guidance on how to approach questions. Students are expected to attempt all of the tutorial questions before each tutorial.

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

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

Disruption to Studies Policy 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/

Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit ask.mq.edu.au.

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) 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

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

Creative and Innovative

Our graduates will also be capable of creative thinking and of creating knowledge. They will be imaginative and open to experience and capable of innovation at work and in the community. We want them to be engaged in applying their critical, creative thinking.

This graduate capability is supported by:

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.

Assessment tasks

- Group Presentation/Engagement
- Weekly Online Assignments
- Final Examination(Closed Book)

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

- 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.

Assessment task

- Group Presentation/Engagement

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 the theoretical models that form the body of contemporary macroeconomics.
- Interpret and apply macroeconomic models to various economic problems and issues in finance
- Analyse the associated empirical implications and policy issues.

Assessment tasks

- Group Presentation/Engagement
- Weekly Online Assignments
- Online Quizzes
- Final Examination(Closed Book)

Learning and teaching activities

- 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.
- A significant amount of learning in this unit is through learning-by-doing . You are expected to do about 6 hours each teaching week and 9 hours each week during the

2-week mid-semester recess, in addition to your lectures and tutorials.. ECON204 relies heavily on independent learning where students read the relevant chapters and readings, revise the lecture notes, prepare answers to the tutorial questions and extend themselves by doing additional reading, questions, exercises and problems.□

- 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 tutorial exercises and learning from others (fellow students and the lecturer/tutor). 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 learned to others, which will reinforce learning. Together, these will help you fully understand the material in the course. A tutorial is also an active forum to present to the tutor difficulties you encountered when preparing for the pre-set tutorial questions. Ask your tutor questions and further guidance on how to approach questions. Students are expected to attempt all of the tutorial questions before each tutorial.

Changes since First Published

Date	Description
22/07/2015	Quiz dates are updated.