ECON204
Macroeconomic Analysis
S1 Day 2016
Dept of Economics

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Disclaimer
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
Jeffrey Sheen
jeffrey.sheen@mq.edu.au
Contact via jeffrey.sheen@mq.edu.au
E4A 430
Tuesdays 2-3pm

Unit/Tutorial Administrator
Kagiso Mangadi
kagiso.mangadi@mq.edu.au
Contact via kagiso.mangadi@mq.edu.au

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 [http://students.mq.edu.au/student_admin/enrolmentguide/academicdates/](http://students.mq.edu.au/student_admin/enrolmentguide/academicdates/)

**Learning Outcomes**

1. Understand the theoretical models that form the body of contemporary macroeconomics.
2. Interpret and apply macroeconomic models to various economic problems and issues in finance.
3. Analyse the associated empirical implications and policy issues.
4. Be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
5. Identify, define and analyse problems and recommend creative solutions within real-world constraints.
6. Demonstrate a capacity to work independently including the ability to plan and achieve goals.

**General Assessment Information**

**NOTES**

1. To pass this unit, you do not need to pass each component of assessment. Your final score is a weighted average of all components.
2. No extensions on assessments will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which a formal application for disruption of studies is made (via http://www.ask.mq.edu.au/) and approved.

**Assessment Tasks**

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Presentation/Engagement</td>
<td>10%</td>
<td>At tutorials</td>
</tr>
<tr>
<td>Weekly Online Assignments</td>
<td>10%</td>
<td>Fridays1800-Thursdays1159</td>
</tr>
<tr>
<td>Online Quizzes</td>
<td>20%</td>
<td>Week 3-4, 6-7, 9-10, 12-13</td>
</tr>
<tr>
<td>Final Examination(Closed Book)</td>
<td>60%</td>
<td>University Examination Period</td>
</tr>
</tbody>
</table>

**Group Presentation/Engagement**

Due: **At tutorials**

Weighting: **10%**

Students will be organised into groups of 3-5 in the tutorial. 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.
NB Groups will be determined at the first tutorial, which will be in Week 2. (There are no tutorials in Week 1.)

This Assessment Task relates to the following 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.
- 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: **Fridays 1800-Thursdays 1159**
Weighting: **10%**

Each week from week 2 (except Week 6), students must complete on their own an online assignment on MyEconLab. From week 2, on **Fridays at 6pm**, the assignment will be available online on MyEconLab (www.myeconlab.com). Each student will have to complete this by the **next Thursday at midnight**. The assignment will be automatically marked in MyEconLab. Each assignment has equal worth, and the assignments in aggregate will contribute 10% towards the overall assessment of the unit.

[[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: XL2A-F15T-4020-3DT2, for Macroeconomic Analysis S1 2016. 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.]]

This Assessment Task relates to the following 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.
- Demonstrate a capacity to work independently including the ability to plan and achieve goals.
Online Quizzes

Due: Week 3-4, 6-7, 9-10, 12-13
Weighting: 20%

There will be four online quizzes in this course, each containing 20 multiple choice questions randomly selected from a large test bank. Each student will face a 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 times and dates:

**Quiz Availability**

1: Week 3 6pm 15 March (Tuesday) – Midnight 21 March (Monday);
2: Week 6 6pm 5 April (Tuesday) – Midnight 11 April (Monday);
3: Week 9 6pm 10 May (Tuesday) – Midnight 16 May (Monday);
4: Week 12 6pm 31 May (Tuesday) – Midnight 6 June (Monday)

This Assessment Task relates to the following 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
• 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.
This Assessment Task relates to the following 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.
- 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 website at: http://www.timetables.mq.edu.au

Lectures (1 stream only)

<table>
<thead>
<tr>
<th>DAY AND TIME</th>
<th>VENUE</th>
<th>LECTURERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday 16:00-18:00</td>
<td>W6D Lotus Theatre</td>
<td>Jeffrey Sheen</td>
</tr>
</tbody>
</table>

Lecture slides will be available on the unit website at http://ilearn.mq.edu.au, and (barring technical hitches, which often occur) videos 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:


ALTERNATIVELY the following option for the textbook 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 (or earlier) edition.** (Please do not email to ask if it's OK to get the earlier editions.)

MyEconLab is a great resource for students - see below. If you buy MyEconLab, you will have access to the e-

**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:

<table>
<thead>
<tr>
<th>Unit Guide</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, 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: XL2A-F15T-4020-3DT2, for Macroeconomic Analysis S1 2016. 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

http://unitguides.mq.edu.au/unit_offerings/59454/unit_guide/print
# 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


### 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**


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

**B&S Chs 8**


**Topic 6**  The macroeconomics of financial market crises.

**B&S Ch 9**


**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**


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

**B&S Chs 12, 13**

### Topic 9
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 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


### 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


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


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/)

**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/](http://students.mq.edu.au/support/)

**Learning Skills**

Learning Skills ([mq.edu.au/learningskills](http://www.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 Enquiry Service**

For all student enquiries, visit Student Connect at ask.mq.edu.au

**Equity 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.

**IT Help**

For help with University computer systems and technology, visit [http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the Acceptable Use of IT Resources 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.
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