



# ECON311

## Macroeconomic Policy

S2 Day 2018

*Dept of Economics*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Unit Convenor

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E4A 410

Office Hour: Friday 12 noon - 1pm

Credit points

3

Prerequisites

6cp at 200 level including (ECON201 or ECON204)

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:

Interpret and explain macroeconomic policy in a general framework.

Analyse how monetary and fiscal policies are determined in the context of the current economic environment.

Critically evaluate the effectiveness of current policy in achieving stated goals.

Source and utilise macroeconomic data to examine current issues.

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

## General Assessment Information

### NOTE

To pass this unit, you not a total mark of 50% or greater.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Class test</u>	30%	No	Week 7
<u>Assignment</u>	20%	No	Week 9
<u>Final Examination</u>	50%	No	University Examination Period

### Class test

Due: **Week 7**

Weighting: **30%**

The class test exam is 1 hour and 20 minutes plus 10 minutes reading time. It will be based on the lecture material and exercises which are covered in Weeks 1 to 6 inclusive.

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

No extensions will be granted. Students who miss the class test and are granted special consideration will have to sit a supplementary test (the supplementary test may be oral).

On successful completion you will be able to:

- Interpret and explain macroeconomic policy in a general framework.
- Analyse how monetary and fiscal policies are determined in the context of the current economic environment.

### Assignment

Due: **Week 9**

Weighting: **20%**

Description: Provide an answer to questions of an analytical nature and/or write a short essay/report which might require the use of 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:** The assignment is due at **3pm on Friday of Week 9**. Students are strongly recommended to keep a photocopy of their assignment to ensure against loss. In early Week 9, tutorial boxes designated ECON311 will be prepared in the Business and Economics Student Services (BESS) where students can submit their assignments. In addition, students must also submit an electronic copy through iLearn.

**Penalties:** No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Interpret and explain macroeconomic policy in a general framework.
- Analyse how monetary and fiscal policies are determined in the context of the current economic environment.
- Critically evaluate the effectiveness of current policy in achieving stated goals.
- Source and utilise macroeconomic data to examine current issues.
- Formulate macroeconomic policy in the context of Australia as a small open economy.

## 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, 2018.

The final exam will be based on lectures from Weeks 1 to 13 (inclusive) with an emphasis on material presented after the class test .

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

There will be a supplementary final exam for students with approved special consideration requests.

On successful completion you will be able to:

- Interpret and explain macroeconomic policy in a general framework.
- Analyse how monetary and fiscal policies are determined in the context of the current economic environment.
- Formulate macroeconomic policy in the context of Australia as a small open economy.

## 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*, Fourth Edition, International Student Edition, Norton 2016.

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.

## 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, Inflation Targeting
4	Stabilization Policy in the AS/AD Framework, Taylor Rules based Policy
5	The Global Financial Crisis
6	Dynamic Stochastic General Equilibrium Models
7	<b>Class Test</b>
	<b>Mid-semester Break</b>
8	Consumption
9	Fiscal Policy and Government Debt <b>Assignment due Friday 3pm at BESS</b>
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

## Learning and Teaching Activities

### Independent learning

Learning by doing (about 7 hours each teaching week and 10 hours each week during the 2-week mid-session 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.

## Lectures

This unit is taught in a three hour block as a lecture. However, part of the last hour of the lecture will 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. 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. 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.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/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.m](#)

[mq.edu.au](http://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](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://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

### 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

- Interpret and explain macroeconomic policy in a general framework.



- Analyse how monetary and fiscal policies are determined in the context of the current economic environment.
- Critically evaluate the effectiveness of current policy in achieving stated goals.
- Formulate macroeconomic policy in the context of Australia as a small open economy.

## **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**

- Interpret and explain macroeconomic policy in a general framework.
- Analyse how monetary and fiscal policies are determined in the context of the current economic environment.
- Critically evaluate the effectiveness of current policy in achieving stated goals.
- Source and utilise macroeconomic data to examine current issues.
- Formulate macroeconomic policy in the context of Australia as a small open economy.

## **Assessment tasks**

- 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**

- Interpret and explain macroeconomic policy in a general framework.

- Analyse how monetary and fiscal policies are determined in the context of the current economic environment.
- Critically evaluate the effectiveness of current policy in achieving stated goals.
- Source and utilise macroeconomic data to examine current issues.
- Formulate macroeconomic policy in the context of Australia as a small open economy.

## **Assessment tasks**

- Class test
- Assignment
- Final Examination

## **Effective Communication**

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

## **Learning outcome**

- Critically evaluate the effectiveness of current policy in achieving stated goals.

## **Assessment task**

- Assignment

## **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.