



# ECON204

## Macroeconomic Analysis

S2 Evening 2019

*Dept of Economics*

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## General Information

Unit convenor and teaching staff

Unit Convenor

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TBA on iLearn

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4ER 447C

TBA on iLearn

Credit points

3

Prerequisites

15cp at 100 level or above including ECON110

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:

Knowledge: You will learn the theoretical models that form the body of contemporary

macroeconomics.

Critical thinking: You will learn how to think and analyse economic issues systematically.

Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.

Communication (oral and written): You will learn how to articulate economic arguments in a logical and professional way.

Teamwork: You will learn how to cooperate with your peers in groups.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#"><u>Group Presentation</u></a>	25%	No	At tutorials
<a href="#"><u>Online Quizzes</u></a>	10%	No	Week 3-4, 6-7, 9-10, 12-13
<a href="#"><u>Mid-semester Test</u></a>	15%	No	Week 7
<a href="#"><u>Final Examination(Closed Book)</u></a>	50%	No	University Examination Period

### Group Presentation

Due: **At tutorials**

Weighting: **25%**

There are 2 parts to this assessment:

Part 1: Tutorial solution presentations (worth 10%)

Students will be organised into groups in tutorial 1(week 2). Contact your tutor after Week 2 if you are not in a tutorial group. All students will work through the tutorial assignments within and as a part of their group at the beginning of the tutorial and will then be randomly selected to present the solutions to the class. Each group is expected to present twice throughout the semester (5% each). Every member of the group is expected to contribute to the preparations and each member of the group will receive an individual mark. A separate document detailing the tutorial program is available to students on iLearn. Individuals who fail to participate in the group presentations will receive a mark of 0 for the task, except for cases in which an application for Special Consideration is made and approved.

Part 2: Central Bank Simulation (worth 15%)

At your tutorial in week 12, we will hold a central bank simulation. Each of you will work in your group and decide what you believe should happen to the interest rate your central bank sets at its next meeting. Your group should decide on a policy recommendation, supporting your recommendations with a brief summary of the data and economic trends that led to your recommendation. Your group will submit (1) a short video presentation (worth 5%), (2) a group report (worth 5%) and (3) an individual report(worth 5%).

(1) For the Central Bank Simulation in week 12, your group will prepare a video presentation (a few minutes only) of the outcome of your Board's meeting. This video will be played at your week 12 tutorial and the rest of the class will be able to vote on its quality.

(2) Each group will need to submit a group report which explains why you give the policy recommendation.

(3) Each student will also prepare a written report to address a set of questions. The individual report must be no more than two pages in length (excluding graphs) and the questions will be circulated on iLearn.

This assessment will attract both a group and an individual mark. The group mark (out of 10 marks) will be based on the quality of the your video presentation and group report. Your individual mark (out of 5 marks) will be based on your individual written report. More information is available on iLearn. A separate document on iLearn entitled *Guidelines for Central Bank Simulation* explains in more detail what you need to do.

By 11:59pm of the Sunday of week 11 (27 OCT), your group must submit your video presentation and your full report through Turnitin on iLearn. The individual report is due at the same time.

*This is a firm deadline, if you submit your Central Bank Simulation assignment later, you will suffer a penalty of 10% for every 24 hours up to a maximum of 72 hours after the deadline. If your video submission is too late for your tutorial class, you will not get the benefit of your classmates' vote. Exceptions will be granted for cases in which an application for Special Consideration is made and approved. The group is responsible for arranging for a member to submit on time.*

On successful completion you will be able to:

- Critical thinking: You will learn how to think and analyse economic issues systematically.
- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.
- Communication (oral and written): You will learn how to articulate economic arguments in a logical and professional way.
- Teamwork: You will learn how to cooperate with your peers in groups.

## Online Quizzes

Due: **Week 3-4, 6-7, 9-10, 12-13**

Weighting: **10%**

There will be 4 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 date and time. Within this time

period, there is no time limit.

Failure to complete the quiz will result a mark of 0 for the task, except for cases in which an application for Special Consideration is made and approved. 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 12 AUG (MON) – Midnight 19 AUG (MON);**

**2: Week 6 6pm 02 SEP (MON) – Midnight 09 SEP (MON);**

**3: Week 9 6pm 07 OCT (MON) – Midnight 14 OCT (MON);**

**4: Week 12 6pm 28 OCT(MON) – Midnight 04 NOV (MON)**

On successful completion you will be able to:

- Knowledge: You will learn the theoretical models that form the body of contemporary macroeconomics.
- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.

## **Mid-semester Test**

Due: **Week 7**

Weighting: **15%**

A 1-hour mid-semester closed book exam will be held during the lecture in week 7 (09 SEP). The exam will consist of both multiple choice questions and short-answer questions based on the topic from week 1 to 6. The details of the exam will be announced in week 6's lecture. Student who missed the mid-semester test will receive a mark of 0, unless the application for Special Consideration is approved.

On successful completion you will be able to:

- Knowledge: You will learn the theoretical models that form the body of contemporary macroeconomics.
- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.
- Communication (oral and written): You will learn how to articulate economic arguments in a logical and professional way.

## Final Examination(Closed Book)

Due: **University Examination Period**

Weighting: **50%**

Final examination for this unit will be held during the University Examination Period. The exam is closed book, and the details of the exam will be announced in Week 13's lecture. No extensions will be granted. Students who have not sat for the exam will be awarded a mark of 0 for the task, except for cases in which a formal application for Special Consideration is made (via <http://www.ask.mq.edu.au/>) and approved. If the application is successful, the missed assessment will be replaced by a supplementary exam. The conditions for the requesting and granting of requests for Special Consideration are set out in the Policies and Procedures section of this Unit Guide.

On successful completion you will be able to:

- Knowledge: You will learn the theoretical models that form the body of contemporary macroeconomics.
- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.
- Communication (oral and written): You will learn how to articulate economic arguments in a logical and professional way.

## Delivery and Resources

### Lectures

DAY AND TIME	VENUE	LECTURERS
MON 18:00-20:00	See <a href="http://students.mq.edu.au/student_admin/timetables">http://students.mq.edu.au/student_admin/timetables</a>	Marjan Nazifi

Lecture slides will be available on the unit web page at <http://ilearn.mq.edu.au>, and (barring technical hitches, the possibility of which should be allowed for) 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 Text and/or Materials

### Required Text

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

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

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.)

### 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>.

## 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](http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/index.html)

Tim Robinson, Sarantis Tsiaplias and Viet H. Nguyen "The Australian Economy in 2014–15: An Economy in Transition" *Australian Economic Review*, 48: 1–14. doi: 10.1111/1467-8462.12097

Christopher Kent "The Economic Transition in China" RBA 2016 p1-17 <http://www.rba.gov.au/speeches/2016/sp-ag-2016-06-16.html>

**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](http://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>

**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](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>

## 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>). 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>).

## 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 published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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

- Knowledge: You will learn the theoretical models that form the body of contemporary macroeconomics.
- Critical thinking: You will learn how to think and analyse economic issues systematically.
- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.

### Assessment tasks

- Online Quizzes
- Mid-semester Test
- Final Examination(Closed Book)

### 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

- Critical thinking: You will learn how to think and analyse economic issues systematically.
- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.
- Communication (oral and written): You will learn how to articulate economic arguments in a logical and professional way.
- Teamwork: You will learn how to cooperate with your peers in groups.

## Assessment task

- Group Presentation

## 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 outcome

- Problem solving: You will learn how to apply macroeconomic models to explain economic phenomena and understand key macroeconomic policy decisions.

## Assessment tasks

- Group Presentation
- Online Quizzes
- Mid-semester Test
- Final Examination(Closed Book)

## 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 outcomes

- Communication (oral and written): You will learn how to articulate economic arguments

in a logical and professional way.

- Teamwork: You will learn how to cooperate with your peers in groups.

## **Assessment task**

- Group Presentation

## **Changes since First Published**

<b>Date</b>	<b>Description</b>
16/07/2019	TA has changed and I have to update the unit guide.