



ECON633

Intermediate Macroeconomics

S1 External 2019

Dept of Economics

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Disclaimer

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General Information

Unit convenor and teaching staff

Unit Convenor

Alexander Blair

alexander.blair@mq.edu.au

Contact via email (or the student forums for enquiries of general interest).

04 EAR 4 Eastern Road (formerly E4A 418)

As an online unit, contact will always be available via the student forums or email.

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Credit points

4

Prerequisites

Admission to MAppEcon or MCom or MAcc(Prof)MCom or MBioBus or MEc or MIntBus or MIntBusMIntComm or MIntBusMIntRel

Corequisites

Co-badged status

Unit description

This is an intensive unit in intermediate macroeconomics, designed to provide the postgraduate student with all the basic macroeconomics required for a general commerce postgraduate program, and serving also as a starting point for specialist studies in postgraduate economics. The unit covers a wide range of the models in use in economics today, including IS-LM, AD-AS, theories of the labour market, and the theory of exchange rates, culminating in the Mundell-Fleming model of an open economy. The unit also provides a substantial introduction to the history of economic thought, allowing students to see the origins of the models they study and so better understand the models themselves. Although a theoretical unit, the contents have a large practical application, with reviews of many of the problems facing the global economy since the beginning of this decade, as well as the attempted solutions. This unit needs no prior knowledge, thus any basic economics and accompanying mathematical and other skills required by the unit's material are taught as part of the unit curriculum.

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:

Analysis of the theoretical models that form the body of contemporary macroeconomics.

Application of these macroeconomic models to current economic problems and issues.

Ability to identify, define and analyse economic 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

Name	Weighting	Hurdle	Due
In-Session Test	20%	No	see iLearn website
Multiple (x4) Assignments	40%	No	see iLearn website
Final Examination	40%	No	University Examination Period

In-Session Test

Due: **see iLearn website**

Weighting: **20%**

This is a short answer test, to be completed online using PowerPoint software. You will demonstrate your written communication and software skills, as well as your grasp of the basic models, based on material from certain specified Modules of which you will be notified well in advance. Your PowerPoint file will be returned electronically with comments. You will have a three hour window to complete and submit the Test. Part of the purpose of the exercise is to give you some practice in the methods we will use for completion of the Final Exam.

In addition, we will use this test to take a snap shot of your current skill set, so as to allow any gaps in those skills to be addressed. The test will use the basic models presented in the first few Modules to take stock of your written communication and mathematical skills. The aim is to identify difficulties likely to hamper your progress.

All students will undertake the Practice Test within the same twenty four hour window (you will have three hours to complete the exercise once you access the Test). Failure to submit this task will lead to a mark of zero. This penalty does not apply to students who apply and are approved for Special Consideration. Consult the Policies and Procedures section of this Unit Guide for

further information on these policies. If a Supplementary Test is granted, then this will be held within one week (7 days) from notification that your application has been successful, with the same conditions (twenty four hour window and three hour completion time).

On successful completion you will be able to:

- Analysis of the theoretical models that form the body of contemporary macroeconomics.

Multiple (x4) Assignments

Due: **see iLearn website**

Weighting: **40%**

The Assignment questions will be available online with the opening of each corresponding Module. In total the four Assignments contribute 40 marks to your final grade. The Assignments are designed primarily to help you with learning the models and prepare you for the Final Exam. You will submit a Powerpoint file by iLearn, and this will be returned with comments. See the guide to Assignment submission due dates on the iLearn website.

These assignments are designed primarily as tools of learning. You will use Powerpoint software to recreate the models presented in the Lecture Videos. The animation facility in Powerpoint allows you to use the models for economic analysis. You will show shifts of the curves and changes in equilibrium in the correct sequence, explained by textboxes, much as in the Lecture Videos (which will serve as a template for these exercises). Collectively the Assignments make the largest contribution of marks to your final grade, though as always the teaching and learning purpose is primary.

Late Assignments will incur a penalty of 10% of the total available marks applied to the total awarded marks for each 24 hour period or part thereof that the submission is late. (Thus, for example, submission 25 hours late will lead to a 20% marks penalty). Note that Assignments submitted at any time without the correct procedures will be subject to penalties as specified in the Assignment handout. Penalties will continue to apply until the Assignment is correctly re-submitted. However, penalties will not apply to students who have applied and been approved for Special Consideration. Consult the Policies and Procedures section of this Unit Guide for further information on these policies.

On successful completion you will be able to:

- Analysis of the theoretical models that form the body of contemporary macroeconomics.
- Application of these macroeconomic models to current economic problems and issues.
- Ability to identify, define and analyse economic problems and recommend creative solutions within real-world constraints.
- Demonstrate a capacity to work independently including the ability to plan and achieve goals.

Final Examination

Due: **University Examination Period**

Weighting: **40%**

The Final Examination will include long answer questions, both diagram and essay based, and some calculations. Details regarding the structure of the Final Exam will be given online. The exam itself will be delivered and the script submitted online, with a time limit from opening of the exam to final submission of three hours, using the procedure already practiced in the In-Session Test.

As with the Practice Test, all students will undertake the Final Exam within the same twenty four hour window (you will have three hours to complete the exercise once you access the Exam). Failure to submit the Exam will result in a mark of zero. This penalty does not apply to students who have submitted and been approved for Special Consideration. Consult the Policies and Procedures section of this Unit Guide for further information on these policies.

On successful completion you will be able to:

- Analysis of the theoretical models that form the body of contemporary macroeconomics.

Delivery and Resources

Required and Recommended Texts and/or Materials

Many of the models used in this unit are drawn from the following text - students may find it interesting to have a look at the 4th edition of this text, for which there is also an e-book:

Olivier Blanchard & Jeffrey Sheen, *Macroeconomics*, Pearson, 4th Australasian edition, 2013. (hereafter B&S).

Students may also wish to look at the 3rd edition of this text, which covers some additional topics. However neither is mandatory, as the online lectures and other materials contain all that is required for successful completion of the unit.

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 schedule	Announcements
Lecture slides	Lecture videos
Results of Assessment tasks	Other relevant material

This is a purely online Unit, so you will need to regularly check the website and use it as a resource centre to assist with your learning.

If you are unable to access the iLearn website because you are not aware of or have forgotten your username and password, please ask for assistance from the IT helpdesk by logging a ticket at any time using the [OneHelp](#) link, or by email at help@mq.edu.au. Or you can call direct: +61 2 9850 HELP (4357) or Australian toll-free: 1 800 MQ HELP (1800 67 4357). If you are close to the Sydney campus, you can visit the help service desk on the ground floor of Building C5C (17 Wally's Walk) Room 244. The IT helpdesk will also be able to assist you with using the unit web page.

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.

Unit Schedule

Through your work in this unit, you will learn the fundamentals of macroeconomics by exploring in detail some real world problems – unemployment, inflation and deflation, financial crisis. You will also look at real world successes – how some economies have achieved rapid economic growth, how some economies, most notably the Australian over the last three decades, have avoided the scourges of recession and financial meltdown.

We will explore these issues in the first five Modules below. The sixth Module will give you background on the use of diagrams, some basic mathematics, and some specialized vocabulary. It will help you in your work as you go through the lecture videos.

Note the readings attached to each topic – some of these will be very helpful for you in preparing your Assignment answers, and for the Final Exam. Some additional articles and other reading that will be useful for you, will be attached to handouts delivered online in the course of the program.

1. Glory Days – Fixed Exchange Rates – We look at another world, where exchange rates are fixed and rely on gold, where globalization is advancing and countries are escaping poverty around the world, where macro theory is micro theory – a world for which many yearn. It was in such a world that the mainstream of economics is created.

Key topic: Exchange Rates

Important Models: IS-LM-BP; Y-E short run

Useful reading: Blanchard and Sheen, Chapters 18, 19

2. Advance and Retreat – The Cycles of Recession and Depression – What used to be called 'slumps' seem to occur on a 40 year cycle – 1890s, 1930s, 1970s, and.... We need to understand how they happen, and the changes they have wrought in our economy, and in the economic theories upon which we used to rely.

Key topic: Economic Depression

Important Models: Quantity Theory of Money; Blanchard Model of the Labor Market

Essential reading: **Jensen, R. J. (1989) “The causes and cures of unemployment in the Great Depression” *The Journal of Interdisciplinary History*, 19 (4), 553-583.**

3. An Ever Rising Sun – The Economic Policy Mix and Economic Growth – The last period in which the global economy enjoyed some sustained and widespread growth, ended 50 years ago. We would like those good times to come again, and for that we need to understand why it happened last time. Macroeconomists, perhaps with some reason, and perhaps not, took a great deal of credit for that long postwar boom. Not for the last time, it was believed that the theory worked, the policy settings were right, and that macroeconomics had come of age. We will look at the theories that attracted all that optimism, posit some reasons for that seemingly endless growth, and begin to see the reasons why the growth – and the theories – were about to break down.

Key topic: Growth

Important Models: IS-LM, AD-AS, and the Solow Model.

Useful reading: Blanchard and Sheen, Chapters 3, 4 and 5.

4. The Age of Unease – The Rise of Stagflation and the Theory of Floating Exchange Rates – The usual wingman of slow growth is unemployment. Many economists and much of economic theory has bemoaned this, but saw the combination of the two to occasionally be inevitable. It was a shock when for the first time inflation appeared arm-in-arm with recession and unemployment. Partly as a result of the appearance of this terrible trio, a new school of thought became dominant, and remains so today. We will look at the key elements of this new – or at least heavily renovated – set of theories, and how they’ve been applied to our economic problems.

Key topic: Stagflation, and Floating Exchange Rate regimes.

Important Models: IS-LM-IP, and the Phillips Curve.

Essential reading: **“The Political Economy of the Inflation-Unemployment Trade-off”, *History of Political Economy*” Volume 29, Issue 1, 1997.**

5. Crossing the Red Ink Sea – Financial Markets and Financial Crisis – Economic theory has recently been put under the spotlight, thanks to the current global crisis – now entering its second decade. In particular, during this global crisis we have encountered problems that had been considered a rarity, or even a theoretical impossibility. In particular, for a decade we have teetered at the edge of deflation, for the first time in 80 years. And we have experienced firsthand what was once considered no more than a curiosity, a theoretical thought experiment – the liquidity trap. In their appearance is closely associated with another rarity and theoretical

impossibility, widespread endogenous financial crisis. We will look at the causes of crisis in the financial markets, and at the nature of liquidity traps and deflation and the threats these have posed for the global economy.

Key topic: Financial Crisis

Important Models: Efficient Markets Hypothesis; Hicks and Krugman Liquidity Traps.

Useful reading: Blanchard and Sheen, Chapter 9.

6. Know the Essentials – Background in the Vocabulary, Diagrams, and Mathematics in the Unit – In the preceding Modules, we have made use of what may be unfamiliar vocabulary, made what may be an unaccustomed use of diagrams, and used mathematical techniques with which you might be unfamiliar, or which you might not have used for a while. Or it may be you are unfazed by all the vocab, diagrams and maths that you've encountered. Either way, take a moment to have a look at the materials in this Essentials module. Anything unfamiliar, work through it, and ask online for any additional help or advice you might need. The vocabulary and other assets you'll find here will be helpful in this ECON633 unit, in your other units in the Masters program, and also, you will likely find, in your current and future employment.

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 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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

Grades

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction (85 - 100)
- D - Distinction (75 - 84)
- CR - Credit (65 - 74)
- P - Pass (50 - 64)
- F – Fail (0 - 49)

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

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

For further information, please refer to page 71 of the 2013 Calendar of Governance, Legislation and Rules- Postgraduate Rules at

http://universitycouncil.mq.edu.au/pdfs/2013-Postgraduate_rules.pdf

Grade Appeals and Final Examination Script Viewing

If, at the conclusion of the unit, you have performed below expectations, you are entitled to and welcome to review your final examination as well as your other marks. First contact your lecturer by email or in person. Should you wish to appeal your grade, the University website provides

information on the criteria to be met for appeal to be lodged, and the procedure to follow.

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 Support

Students who require assistance are encouraged to contact the Student Services Manager at Macquarie City Campus. Please see reception to book an appointment.

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://students.mq.edu.au/support/>

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

If you are a Global MBA student contact 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/.

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.

IT Help

If you wish to receive IT help, we would be glad to assist you at <http://informatics.mq.edu.au/help/> or call 02 9850-4357.

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 and it outlines what can be done.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

Students are expected to act responsibly when utilising Macquarie IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted.
- Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Graduate Capabilities

Capable of Professional and Personal Judgement and Initiative

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

This graduate capability is supported by:

Learning outcome

- Demonstrate a capacity to work independently including the ability to plan and achieve goals.

Assessment task

- Multiple (x4) Assignments

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 outcome

- Analysis of the theoretical models that form the body of contemporary macroeconomics.

Assessment tasks

- In-Session Test
- Multiple (x4) Assignments
- 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

- Analysis of the theoretical models that form the body of contemporary macroeconomics.
- Application of these macroeconomic models to current economic problems and issues.
- Ability to identify, define and analyse economic problems and recommend creative solutions within real-world constraints.

Assessment tasks

- In-Session Test
- Multiple (x4) Assignments
- 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

- Application of these macroeconomic models to current economic problems and issues.
- Ability to identify, define and analyse economic problems and recommend creative

solutions within real-world constraints.

Assessment task

- Multiple (x4) Assignments

FREQUENTLY ASKED QUESTIONS, FREQUENT PROBLEMS, AND SOME ADVICE ON PASSING THE UNIT

I will have much more advice on this online but first some general points:

1. The material for the Unit is available online, along with discussion forums, additional readings and handouts, all designed to assist students in mastering the material. All of the material will be accessible and all will be examinable.
2. Following from Point 1., you must make use of the online material. This gives you an *interactive* summary and explanation of the material, in a way that no written notes or textbook can. In other words, no textbook can tell whether you understand what is being said; by interaction between staff and students online, we can explain the material again or in a different way until you have a complete understanding of it. This will require only an engagement with the resources found online.
3. Don't panic if you don't immediately understand the material. Very often, understanding will come later, as the material becomes familiar. Very often, it is most clear when you return to it, closer to the end of the Unit, especially as we will have covered so much ground that the pieces will start fitting together in your mind.
4. Following on from Point iv), **don't even try** to understand, **until** you have learnt the **diagrams**. You **cannot** understand a diagram, until you have learnt it well enough that you can close your eyes and see it in your mind. Most models are built around one or two major diagrams; if you can remember the diagram unaided, then you'll understand the diagram. Understanding the diagram, you'll understand the model. This advice is so important that perhaps it should be at the top of the list; and ignoring it is the easiest and quickest way to fail.