ECON3011

Macroeconomic Policy

Session 1, Special circumstances 2021

Department of Economics

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Disclaimer

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Notice

As part of Phase 3 of our return to campus plan, most units will now run tutorials, seminars and other small group activities on campus, and most will keep an online version available to those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face activities for your unit, please go to timetable viewer. To check detailed information on unit assessments visit your unit's iLearn space or consult your unit convenor.

General Information

Unit convenor and teaching staff
Professor
Jeffrey Sheen
jeffrey.sheen@mq.edu.au
Room 432, E4A Building
Thursdays 3-5pm

Professor
David Orsmond
david.orsmond@mq.edu.au

Credit points
10

Prerequisites
20cp at 2000 level including ECON204 or ECON2004

Corequisites

Co-badged status

Unit description
This unit develops macroeconomic models with a focus on key contemporary issues such as persistent low inflation, interest rates, secular stagnation, alternative monetary policy frameworks, fiscal policy constraints, understanding financial crises, financial regulation and cryptocurrencies. Students will develop an understanding of the reasons for these problems, and how key policy institutions such as the RBA, APRA and Treasury are addressing them.

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:

ULO1: Analyse and explain macroeconomic policy in a general framework.

ULO2: Appraise how monetary and fiscal policies are determined in the context of the current economic environment.

ULO3: Critically evaluate the effectiveness of current macroeconomic policy in achieving

stated goals.

General Assessment Information

Essay Assignment (20%)

- Due online in iLearn through TURNITIN before Friday midnight of Week 12, 28 May 2021
- Choose any one of the topics on contemporary issues (provided separately on iLearn).
- Research it widely in journal, books, professional magazines etc, and write a reasoned essay about the issue and its implications for macroeconomic outcomes and policy.
- Format: Maximum 1500 words. You may use any number of figures and diagrams and tables. Use 12 point font, 1.5 line spaces and A4 page size.
- It is essential to cite any writing that is not your own – remember the essays will be submitted online on iLearn through TURNITIN, which can detect copied material from anywhere at any time globally.
- NB Possible topics will be provided in iLearn.

This Assessment Task relates to the learning outcomes as follows:

- Source and interpret macroeconomic data, use coherently the key concepts in macroeconomics, and apply advanced macroeconomic models to understand the behaviour of key macroeconomic variables

- Identify and interpret topical macroeconomic issues, and use advanced macroeconomic models to understand how policy should respond to the issues.

- Write and discuss advanced macroeconomic analysis in a creative, logical and professional way.

Mid-session Test (25%)

- Held online in-class in Week 6
- Weighting: 25%
- Details of the mid-semester test will be discussed in Week 5.

This Assessment Task relates to the following Learning Outcomes:

- Source and interpret macroeconomic data, use coherently the key concepts in macroeconomics, and apply advanced macroeconomic models to understand the behaviour of key macroeconomic variables.

- Identify and interpret topical macroeconomic issues, and use advanced macroeconomic models to understand how policy should respond to the issues.

- Write advanced macroeconomic analysis in a creative, logical and professional way.

Final examination (50%)

- In examination week (June)
- Weighting: 50%
- The end-of-session exam will be online. Details of the exam will be discussed in Week 13.

This Assessment Task relates to the following Learning Outcomes:

- Source and interpret macroeconomic data, use coherently the key concepts in macroeconomics, and apply advanced macroeconomic models to understand the behaviour of key macroeconomic variables.

- Identify and interpret topical macroeconomic issues, and use advanced macroeconomic models to understand how policy should respond to the issues.

- Write advanced macroeconomic analysis in a creative, logical and professional way.

Assessment Tasks

Name	Weighting	Hurdle	Due
Zoom participation	5%	No	Each Wednesday
Essay assignment	20%	No	Friday midnight, 28 May 2021
Mid-session class test	25%	No	Wednesday 31 March 2021, 6:00pm - 7:20pm
Final examination	50%	No	In June exam period

Zoom participation

Assessment Type [1]: Participatory task
Indicative Time on Task [2]: 0 hours
Due: **Each Wednesday**
Weighting: **5%**

Students are expected to participate in live Zoom sessions and the online forum

On successful completion you will be able to:

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

Essay assignment

Assessment Type [1]: Report
Indicative Time on Task [2]: 20 hours
Due: **Friday midnight, 28 May 2021**
Weighting: **20%**

Provide an answer to questions of an analytical nature and/or write a short essay/report which might require the use of Australian data.

On successful completion you will be able to:

- Appraise how monetary and fiscal policies are determined in the context of the current economic environment.
- Critically evaluate the effectiveness of current macroeconomic policy in achieving stated goals.

Mid-session class test

Assessment Type [1]: Quiz/Test
Indicative Time on Task [2]: 15 hours
Due: **Wednesday 31 March 2021, 6:00pm - 7:20pm**
Weighting: **25%**

The 80 minute online class test will be based on the lecture material and exercises covered in weeks 1 to 6.

On successful completion you will be able to:

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

Final examination

Assessment Type [1]: Examination
Indicative Time on Task [2]: 35 hours
Due: **In June exam period**
Weighting: **50%**

A two-hour open book examination will be held during the University Examination Period, and will be on based on material covered in lectures from weeks 1 to 13 (inclusive), with an emphasis on material presented after the class test.

On successful completion you will be able to:

- Appraise how monetary and fiscal policies are determined in the context of the current economic environment.
- Critically evaluate the effectiveness of current macroeconomic policy in achieving stated goals.

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[1] If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the Writing Centre for academic skills support.

[2] Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

Delivery and Resources

Lectures

Lectures are on Wednesdays 6-9pm online. The first 2 hours is a lecture, while the 3rd hour is an interactive ZOOM session in which you are expected to participate.

Required and Recommended Texts and/or Materials

There is no required textbook for this course.

It is assumed that you understand well an intermediate macroeconomics textbook eg

O. Blanchard and J. Sheen, Macroeconomics, 2014, 4th edition, Pearson (https://www.pearson.com.au/9781442559516)

A good *reference* text for this unit is:

S. Williamson, Macroeconomics , 2018, 6th global edition, Pearson (https://www.pearson.com.au/9781292215761)

Useful readings for the topics are given in the Unit Schedule, and extra readings may be recommended during the lectures.

Unit Schedule

WEEKS 1-2 (24 February, 3 March). Refresher on ISLM, AS-AD; Malthusian growth model, Solow growth model, Endogenous growth models (JS)

Blanchard and Sheen 2013 Chs 5-12

McLeay,M. Radia, A and Thomas R. 2914 Money creation in the modern economy. Bank of Engl and Quarterly Bulletin Q1 2014

Williamson Chs 1,-3, 7-8

WEEK 3 (10 March). Low inflation, the natural rate of unemployment (JS)

Blanchard, O. 2018 Should we reject the natural rate hypothesis? Journal of Economic Perspectives, Vol 32, 1 Winter 2018 https://pubs.aeaweb.org/doi/pdf/10.1257/jep.32.1.97

Cassidy, N., Rankin,E., Read, M. and Seibold,C. 2019 Explaining Low Inflation Using Models. https://www.rba.gov.au/publications/bulletin/2019/jun/explaining-low-inflation-using-models.html

Williamson Chs 14-15

WEEK 4 (17 March). Secular stagnation, potential growth, technology and inequality (JS)

Arsov, I and Watson, B. 2019 Potential Growth in Advanced Economies RBA Bulletin 12

December 2019 https://www.rba.gov.au/publications/bulletin/2019/dec/potential-growth-inadvanced-economies.html

Gordon, R. 2014 US Economic Growth is Over: The Short Run Meets the Long Run, Think Tank 20: Growth, Convergence and Income Distribution: The Road from the Brisbane G-20 Summit: https://www.brookings.edu/wp-content/uploads/2016/07/tt20-united-states-economicgrowth-gordon.pdf

PIIE 2020 How to Fix Economic Inequality? An Overview of Policies for the United States and Other High-Income Economies. (https://www.piie.com/microsites/how-fix-economic-inequality)

WEEK 5 (24 March). Monetary policy frameworks – inflation targeting and alternatives (JS)

Debelle, G. 2018 Twenty-five Years of Inflation Targeting in Australia. RBA Conference, Central Bank Frameworks: Evolution or Revolution? 2018 https://www.rba.gov.au/speeches/2018/spdg-2018-04-12.html

Rogoff, K. 2017. Dealing with monetary paralysis at the zero bound. Journal of Economic Perspectives, https://scholar.harvard.edu/files/rogoff/files/dealing_with_monetary_paralysis_at_the_zero_bound.pdf

RBA Explainer - Unconventional monetary policy. https://www.rba.gov.au/education/resources/ex

plainers/unconventional-monetary-policy.html

Williamson Ch 15

WEEK 6 (31 March). Mid-session test - online 6pm.

..Mid-session break...

WEEK 7 (21 April). Links between fiscal policy and monetary policy – the government budget constraint, the fiscal theory of prices, hyperinflation (JS)

Blanchard and Sheen 2013 Chs 23-24

Blanchard, O. (2019) Public Debt and Low Interest Rates, American Economic Review, www.piie.com/system/files/documents/wp19-4.pdf

Cochrane, J. (2011): Understanding Policy in the Great Recession: Some Unpleasant Fiscal Arithmetic. European Economic Review January 2011 https://papers.ssrn.com/sol3/

papers.cfm?abstract_id=1619585

WEEK 8 (28 April). The causes of financial crises and policy responses (DO)

Reinhard, C. and K. Rogoff (2008), This Time is Different: Eight Centuries of Financial Folly, NBER Paper 13882, March https://www.nber.org/papers/w13882.pdf

RBA Explainer: The Global Financial Crisis, https://rba.gov.au/education/resources/explainers/pdf/the-global-financial-crisis.pdf

Williamson Ch. 18

WEEK 9 (5 May). Financial regulation: Principles and practice (DO)

Yuksel, M. (2019), 'A decade of post-crisis G20 financial sector reforms,' RBA Bulletin, June

https://rba.gov.au/publications/bulletin/2019/jun/pdf/a-decade-of-post-crisis-g20-financial-sectorreforms.pdf

Orsmond. D. and F. Price (2016), 'Macroprudential policy frameworks and tools,' RBA Bulletin, December https://www.rba.gov.au/publications/bulletin/2016/dec/pdf/rbabulletin-2016-12-macroprudential-policy-frameworks-and-tools.pdf

WEEKS 10-11 (12 and 19 May). Official Australian and global economy reports (JS)

Latest RBA Statement on monetary policy, Commonwealth Budget statements, World Economic Outlook

WEEK 12 (26 May). Digital money and the payments system; the future of

cryptocurrencies – eg Bitcoin, Libra, central bank digital currencies (JS)

Dark, C., Emery, D, Ma,J. and Noone, C. 2019 Cryptocurrency: Ten Years On. RBA Bulletin, www.rba.gov.au/publications/bulletin/2019/jun/cryptocurrency-ten-years-on.html

Kumar, A, Smith. C 2018 Crypto-currencies – An introduction to not-so-funny moneys, Journal of Economic Surveys 32,8 https://onlinelibrary.wiley.com/doi/full/10.1111/joes.12289

Härdle, W. and Harvey, C. and Reule, R., Understanding Cryptocurrencies (March 26, 2019). https://ies.keio.ac.jp/upload/20191125econo_Wolfbang_wp.pdf

Richards, T., Thompson, C., and Dark, C. Sep 2020. Retail central bank digital currency - design considerations, rationales and implications. RBA Bulletin. https://www.rba.gov.au/publications/bulletin/2020/sep/retail-central-bank-digital-currency-design-considerations-rationales-and-implications.html

Williamson Chs 18

WEEK 13 (2 June). Summary and overview, Q and A, discussion of final exam

Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central (https://policies.mq.edu.au). 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

Students seeking more policy resources can visit Student Policies (https://students.mq.edu.au/support/study/policies). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

To find other policies relating to Teaching and Learning, visit Policy Central (https://policies.mq.edu.au) and use the search tool.

Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/admin/other-resources/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

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 help you improve your marks and take control of your study.

- Getting help with your assignment
- Workshops
- StudyWise
- Academic Integrity Module

The Library provides online and face to face support to help you find and use relevant information resources.

- Subject and Research Guides
- Ask a Librarian

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.

Changes from Previous Offering

Unit has been changed to include much more on contemporary policy issues,