ECON2004

Macroeconomic Analysis and Applications

Session 2, In person-scheduled-weekday, North Ryde 2022

Department of Economics

Contents

General Information	2
Learning Outcomes	2
General Assessment Information	2
Assessment Tasks	3
Delivery and Resources	5
Unit Schedule	6
Policies and Procedures	8
Changes since First Published	10

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 Ben Wang ben.wang@mq.edu.au
Credit points 10
Prerequisites 50cp at 1000 level or above including ECON110 or ECON1021
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 may include: growth; inflation; unemployment; and financial crises. This unit should enable students to evaluate the recurrent debates on macroeconomic policy and to analyse important 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:

ULO1: Analyse and apply theoretical models in contemporary macroeconomics.

ULO2: Critically analyse models and theories to solve contemporary macroeconomic problems.

ULO3: Apply macroeconomic models and theories to understand macroeconomic phenomena, and critique macroeconomic phenomena both individually and as a member of a team.

General Assessment Information

Late Assessment Submission Penalty (written assessments)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of '0' will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for Special Consideration.

Assessment Tasks

Name	Weighting	Hurdle	Due
Online quiz	10%	No	Week 3-4, 6-7, 9-10, 12-13
Group presentation	20%	No	Week 12
Mid session online test	20%	No	Week 7
Final examination online	50%	No	Final exam period

Online quiz

Assessment Type [1]: Quiz/Test
Indicative Time on Task [2]: 10 hours
Due: **Week 3-4, 6-7, 9-10, 12-13**
Weighting: **10%**

Several online quizzes will be held during the session. Details will be available in iLearn.

On successful completion you will be able to:

- Analyse and apply theoretical models in contemporary macroeconomics.

Group presentation

Assessment Type [1]: Presentation
Indicative Time on Task [2]: 20 hours
Due: **Week 12**
Weighting: **20%**

Part 1: Tutorial solution presentations (10%) Part 2: Central Bank Simulation (10%)

On successful completion you will be able to:

- Analyse and apply theoretical models in contemporary macroeconomics.
- Critically analyse models and theories to solve contemporary macroeconomic problems.
- Apply macroeconomic models and theories to understand macroeconomic phenomena, and critique macroeconomic phenomena both individually and as a member of a team.

Mid session online test

Assessment Type [1]: Quiz/Test
Indicative Time on Task [2]: 10 hours
Due: **Week 7**
Weighting: **20%**

Mid session online test

On successful completion you will be able to:

- Analyse and apply theoretical models in contemporary macroeconomics.
- Apply macroeconomic models and theories to understand macroeconomic phenomena, and critique macroeconomic phenomena both individually and as a member of a team.

Final examination online

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

A two-hour examination, consisting of descriptive short and long answer questions, will be held during the University Examination Period.

On successful completion you will be able to:

- Analyse and apply theoretical models in contemporary macroeconomics.
- Critically analyse models and theories to solve contemporary macroeconomic problems.

---

[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 Mondays 12-2PM, ONLINE

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 session, 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. Students are strongly advised that their learning is significantly enhanced by watching the lecture presentations online at the appointed time. It is assumed that students will attend all online lectures and tutorials at the prescribed times. Students who miss watching 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

"Macroeconomics" Blanchard and Sheen, 4th edition, 2013 ISBN: 9781486041220

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 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. Students are required to use word processing and presentation softwares such as Word and powerpoint in some of the assessment tasks.

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.

Unit Schedule

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

Tim Robinson, Sarantis Tsiaplias and Viet H. Nguyen "The Australian Economy in 2014–15: An Economy in Transition" Australian Economic Review, 48: 1–14

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

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 Ch 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

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

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

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/

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://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
- Assessment Procedure
- Complaints Resolution 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

Academic Integrity

At Macquarie, we believe academic integrity – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free online writing and maths support, academic skills development and wellbeing consultations.

Student Support

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/

The Writing Centre

The Writing Centre provides resources to develop your English language proficiency, academic writing, and communication skills.

- Workshops
- Chat with a WriteWISE peer writing leader
- Access StudyWISE
- Upload an assignment to Studiosity
- Complete the 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

Macquarie University offers a range of Student Support Services including:

- IT Support
- Accessibility and disability support with study
- Mental health support
- Safety support to respond to bullying, harassment, sexual harassment and sexual assault
- Social support including information about finances, tenancy and legal issues

Student Enquiries

Got a question? Ask us via AskMQ, or contact Service Connect.

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 since First Published

Date	Description
15/07/2022	I updated teaching team information in this revised version.