



ECON3011

Macroeconomic Policy

Session 1, Online-scheduled-weekday 2022

Department of Economics

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General Information

Unit convenor and teaching staff

Unit Convenor

Jeffrey Sheen

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Room 432, E4A Building

Thursdays 3-5pm

Guest Lecturer

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,
- 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.

Mid-session Test (25%)

- Held online in-class in Week 7
- Weighting: 25%
- Details of the mid-semester test will be discussed in Week 6.

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.

Late submissions of assessments

Unless a Special Consideration request has been submitted and approved, no extensions will be granted. There will be a deduction of 10% of the total available assessment-task marks made from the total awarded mark for each 24-hour period or part thereof that the submission is late. Late submissions will only be accepted up to 96 hours after the due date and time.

No late submissions will be accepted for timed assessments – e.g., quizzes, online tests.

Table 1: Penalty calculation based on submission time

Submission time after the due date (including weekends)	Penalty (% of available assessment task mark)	Example: for a non-timed assessment task marked out of 30
<24 hours	10%	10% x 30 marks = 3-mark deduction
24-48 hours	20%	20% x 30 marks = 6-mark deduction
48-72 hours	30%	30% x 30 marks = 9-mark deduction
72 – 96 hours	40%	40% x 30 marks = 12-mark deduction
>96 hours	100%	Assignment won't be accepted

Special Consideration

To request an extension on the due date/time for a timed or non-timed assessment task, you must submit a Special Consideration application. An application for Special Consideration does not guarantee approval.

The approved extension date for a student becomes the new due date for that student. The late submission penalties above then apply as of the new due date

Assessment Tasks

Name	Weighting	Hurdle	Due
Mid-session class test	25%	No	Week 7
Essay assignment	20%	No	Week 13
Participation	5%	No	In Zoom sessions
Final examination	50%	No	In final examination period

Mid-session class test

Assessment Type ¹: Quiz/Test

Indicative Time on Task ²: 15 hours

Due: **Week 7**

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.

Essay assignment

Assessment Type ¹: Report

Indicative Time on Task ²: 20 hours

Due: **Week 13**

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.

Participation

Assessment Type ¹: Participatory task

Indicative Time on Task ²: 0 hours

Due: **In Zoom sessions**

Weighting: **5%**

Students are expected to participate in live seminars and the 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.

Final examination

Assessment Type ¹: Examination

Indicative Time on Task ²: 35 hours

Due: **In final examination period**

Weighting: **50%**

A two-hour open book examination will be held during the University Examination Period, and will be 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.

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 formally on Thursdays 5-7pm online. The first segment is a recorded lecture, while the second segment will begin at 5::30pm as 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. 2014 Money creation in the modern economy. [Bank of England 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/explainers/unconventional-monetary-policy.html>

Williamson Ch 15

WEEK 6 (31 March). 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

Blanchard, O. (2021) *Fiscal Policy under Low Interest Rates* Draft text: <https://fiscal-policy-under-low-interest-rates.pubpub.org/>

Cochrane, J. (2022) *The Fiscal Theory of the Price Level* Draft text: <https://www.johnhcochrane.com/research-all/the-fiscal-theory-of-the-price-level-1>

WEEK 7 (7 April). Mid-session test - online 5pm.

..Mid-session break...

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

Reinhart, 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), 'Macprudential 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

WEEK 10 (12 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

WEEKS 11-12 (19 and 26 May). Official Australian and global economy reports (JS)

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

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 \(https://policies.mq.edu.au\)](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 \(https://students.mq.edu.au/support/study/policies\)](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 \(https://policies.mq.edu.au\)](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 from Previous Offering

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