



ECON2004

Macroeconomic Analysis and Applications

Session 2, In person-scheduled-weekday, North Ryde 2023

Department of Economics

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General Information

Unit convenor and teaching staff

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Tutor Administrator

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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](#).

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
<u>Quiz</u>	10%	No	Week 3-4, 6-7, 9-10, 12-13
<u>Final examination</u>	50%	No	FINAL EXAM PERIOD
<u>Group presentation</u>	20%	No	Part 1 - all tutorials, Part 2 - week 12
<u>Mid-session test</u>	20%	No	Week 7

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 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.

Final examination

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

Group presentation

Assessment Type ¹: Presentation

Indicative Time on Task ²: 20 hours

Due: **Part 1 - all tutorials, Part 2 - 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 test

Assessment Type ¹: Quiz/Test

Indicative Time on Task ²: 10 hours

Due: **Week 7**

Weighting: **20%**

Mid-session 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.

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 TUESDAYS 3-5PM, ONLINE (ZOOM)

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. Students are strongly advised that their learning is significantly enhanced by engaging with the lecture presentations at the appointed time. 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 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

Available from your Local Co-op Bookshop is the **physical** text with eBook: "Macroeconomics" Blanchard and Sheen, 4th edition, 2013 ISBN: 9781486041220, it is also available

on Amazon or [Booktopia](#).

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.) Note that the lectures present updated analysis based on world events up to 2023.

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>.

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

Unit Schedule

The schedule and readings shown below may be updated on iLearn during the session.

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

RBA Statement on Monetary Policy (May 2023), <https://www.rba.gov.au/publications/smp/2023/may/pdf/statement-on-monetary-policy-2023-05.pdf>

Kellie Belrose "Bridging the Textbook Gaps on How the RBA Implements Monetary Policy" <https://www.rba.gov.au/education/resources/teacher-updates/pdf/bridging-the-textbook-gaps-on-how-the-rba-implements-monetary-policy.pdf>

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>

David 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

Mark Chambers et al (2021) "Underemployment in the Australian Labour Market",

<https://www.rba.gov.au/publications/bulletin/2021/jun/pdf/underemployment-in-the-australian-labour-market.pdf>

Jonathan Hambur (2023) "Can Wage-setting Mechanisms Affect Labour Market Reallocation and Productivity?" <https://www.rba.gov.au/publications/bulletin/2023/mar/pdf/can-wage-setting-mechanisms-affect-labour-market-reallocation-and-productivity.pdf>

Christopher Kent (2014) "Cyclical and Structural Changes in the Labour Market" <http://www.rba.gov.au/speeches/2014/sp-ag-160614.html>

Neyavan Suthaharan and Joanna Bleakley (2022) "Wage-price Dynamics in a High-inflation Environment: The International Evidence" <https://www.rba.gov.au/publications/bulletin/2022/sep/pdf/wage-price-dynamics-in-a-high-inflation-environment-the-international-evidence.pdf>

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 an INFLATION TARGET; monetary, fiscal and oil price shocks in the AS-AD model.

B&S Ch 7

RBA Explainer: Australia's inflation target, <https://www.rba.gov.au/education/resources/explainers/australias-inflation-target.html>

Guy Debelle, "Monetary policy during Covid", (2021) <https://www.rba.gov.au/speeches/2021/sp-dg-2021-05-06.html>

Callum Hudson et al (2021) "The Global Fiscal Response to COVID-19", <https://www.rba.gov.au/publications/bulletin/2021/jun/pdf/the-global-fiscal-response-to-covid-19.pdf>

Topic 5 Evolution of the Phillips curve; theories of expected inflation; the sacrifice ratio

B&S Ch 8

Hajime Katayama, Natalia Ponomareva and Malvin Sharma (2019) "What Determines the Sacrifice Ratio? A Bayesian Model Averaging Approach", Oxford Bulletin of Economics and Statistics, 81(5), pp. 960-988. <https://onlinelibrary.wiley.com/doi/full/10.1111/obes.12304>

Heather Ruberl et al (2021) "Estimating the NAIRU in Australia", https://treasury.gov.au/sites/default/files/2021-05/p2021-164397_nairu.pdf

Topic 6 The macroeconomics of financial market crises.

B&S Ch 9

Luci 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)

Jonathan Kearns (2020), "Banking and the COVID-19 Pandemic", <https://www.rba.gov.au/speeches/2020/pdf/sp-so-2020-12-15.pdf>

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 (2021) "Intergenerational Report: Australia over the next 40 years", https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

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 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

Tim Atkin et al (2021) "Determinants of the Australian Dollar Over Recent Years", <https://www.rba.gov.au/publications/bulletin/2021/mar/pdf/determinants-of-the-australian-dollar-over-recent-years.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

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

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://policies.s.mq.edu.au\)](https://policies.s.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 Advocacy](#) provides independent advice on MQ policies, procedures, and processes

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.