



# ECON3011

## Macroeconomic Policy

Session 2, In person-scheduled-weekday, North Ryde 2024

*Department of Economics*

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## General Information

### Unit convenor and teaching staff

#### Convenor

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#### Lecturer

David Orsmond

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### Credit points

10

### Prerequisites

ECON2004 or ECON204

### Corequisites

### Co-badged status

### Unit description

This unit further develops macroeconomic models with a focus on key contemporary policy and operational issues such as variable inflation rates, interest rates, alternative monetary policy frameworks, fiscal policy constraints, climate change, understanding financial crises, financial regulation and cryptocurrencies. Students develop an understanding of the factors that behind these issues and how key policy institutions such as the RBA, APRA and Treasury seek to address 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 within 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 its stated goals.

## General Assessment Information

### LATE SUBMISSION PENALTY

A maximum penalty of five percentage points of the total possible marks will be applied per day to late submissions, for up to a maximum of seven calendar days. Tasks that have not been submitted within the maximum number of additional late days will receive a mark of zero, unless otherwise specified in the late penalties section of the Unit Guide. Late submission for a task will only be permitted when specified in the unit guide. This provision does not apply to online exams or other assessment with a time-limit of less than 24 hours.

Where an application for Special Consideration is approved and the outcome is an extension to the due date of a task, submissions that are received after the new due date will be subject to late penalties that are calculated from the new due date. This only applies where the outcome is an extension to the due date – see the Special Consideration Policy for a schedule of all possible outcomes.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Participation</a>	5%	No	In Weeks 1-13
<a href="#">Final examination</a>	50%	No	In final examination period
<a href="#">Mid-session class test</a>	25%	No	Week 7
<a href="#">Essay assignment</a>	20%	No	Week 10

### Participation

Assessment Type <sup>1</sup>: Participatory task

Indicative Time on Task <sup>2</sup>: 0 hours

Due: **In Weeks 1-13**

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

## Final examination

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 35 hours

Due: **In final examination period**

Weighting: **50%**

A two-hour 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 its stated goals.

## Mid-session class test

Assessment Type <sup>1</sup>: Quiz/Test

Indicative Time on Task <sup>2</sup>: 15 hours

Due: **Week 7**

Weighting: **25%**

The 80 minute 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 within a general framework.
- Appraise how monetary and fiscal policies are determined in the context of the current economic environment.

## Essay assignment

Assessment Type <sup>1</sup>: Report

Indicative Time on Task <sup>2</sup>: 20 hours

Due: **Week 10**

Weighting: **20%**

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

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<sup>1</sup> 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.

<sup>2</sup> 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

### CLASSES

*There will be some pre-recorded learning material posted on iLearn each Tuesday or before. There will also*

*be a 2-hour face-to-face class each Wednesday, 4-6pm in 14SCO T5 Lecture Theatre*

*To access your timetable, visit Class Finder and confirm the day and location (which could change)*

*on eStudent.*

*Prizes*

## VICTOR ARGY PRIZE FOR ECON3011

*This prize commemorates Victor Argy who was Professor of Economics at Macquarie University from 1973 until his death in 1993. The prize, to the value of \$350, is awarded for proficiency in ECON3011 and is open to all candidates proceeding to the degree of Bachelor.*

## RECOMMENDED TEXTS

There is no required textbook for this unit.

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>)

Good reference texts for this unit are:

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

or

Charles Jones, *Macroeconomics International Student Edition*, 5th edition 2020 (Purchase ebook at <https://protect-au.mimecast.com/s/TXBwCBNqgBC32mKNTr-dU0?domain=wiley.com>)

Up-to-date commentaries and data on the Australian economy can be found in the following:

- Reserve Bank of Australia, Bulletin, published monthly: <http://www.rba.gov.au>
- Department of the Treasury, Economic Roundup, AGPS, Canberra, published quarterly (available online at <http://www.treasury.gov.au/>)

Data relating to Australia and other countries are also available on the Internet. Useful sites include the following:

- ABS Time Series Service: <http://www.abs.gov.au>
- Budget Papers for Australia: <http://www.treasury.gov.au/>
- Reserve Bank of Australia: <http://www.rba.gov.au>
- FRED, <https://fred.stlouisfed.org/>

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** *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
- Jones Chs 3, 5, 6, 9, 11

### **WEEK 3** *Low inflation/high inflation/disinflation (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>

Bernanke, B & Blanchard, O. An analysis of pandemic-era inflation in 11 economies <https://www.piie.com/publications/working-papers/2024/analysis-pandemic-era-inflation-11-economies>

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

Jones Ch 13

### **WEEK 4** *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-in-advanced-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-economic-growth-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** *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](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>

Jones Ch12

**WEEK 6** *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](http://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>

Jones Ch 18

**WEEK 7** Mid-session test

**WEEK 8** 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** *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-sector-reforms.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/rbabin-2016-12-macroprudential-policy-frameworks-and-tools.pdf>

**WEEK 10** *Digital money and the payments system; the future of cryptocurrencies, CBDCs – eg Bitcoin, Ripple, 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](http://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](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 11-12-13** *Official Australian and global economy reports (JS)*

Latest RBA Statement on Monetary Policy, Treasury Budget Papers, Intergenerational Report, WEO

## **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](https://ask.mq.edu.au) or if you are a Global MBA

student contact [globalmba.support@mq.edu.au](mailto: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/](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.

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Unit information based on version 2024.03 of the [Handbook](#)