

# ECON 2007 MACROECONOMIC THEORY

**Credit Points** 10

**Legacy Code** 200547

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**Description** Macroeconomic Theory aims to provide alternative theoretical explanations of the working of the macroeconomy. The unit will be based on the analytical narratives of macroeconomic developments taught in Australian Macroeconomy. Starting from the basic IS-LM model, it derives the aggregate demand (AD) curve and examines the components of commodity and money markets. It also analyses the labour market and derives the aggregate supply (AS) curve of an economy. Using the AD-AS model, it examines the interdependent nature of macroeconomic problems (e.g. inflation, unemployment), and the effectiveness of fiscal and monetary policies within a closed economy context. The basic model is then extended to analyse open economy issues (e.g., exchange rates and balance of payments, external shocks and international interdependence). Whenever appropriate, alternative approaches to macroeconomics are evaluated.

**School** Business

**Discipline** Econometrics

**Student Contribution Band** HECS Band 4 10cp

Check your HECS Band contribution amount via the Fees ([https://www.westernsydney.edu.au/currentstudents/current\\_students/fees/](https://www.westernsydney.edu.au/currentstudents/current_students/fees/)) page.

**Level** Undergraduate Level 2 subject

**Pre-requisite(s)** ECON 1013

**Equivalent Subjects** LGYA 4311 - Macroeconomic Analysis

**Assumed Knowledge**

HSC Mathematics.

## Learning Outcomes

On successful completion of this subject, students should be able to:

1. Explain the nature of macroeconomic problems and policy dilemmas: inflation-unemployment trade-offs, government budget surpluses and deficits, current account deficits, and exchange rate movements
2. Describe unemployment: causes, consequences, and policies
3. Analyse inflation: causes, consequences, and policies
4. Illustrate the link between balance of payments, exchange rates and interest rates
5. Examine the role and effectiveness of fiscal and monetary policies.
6. Apply analytical models of macroeconomics to understand economic policy in a changing environment

## Subject Content

1. Current macroeconomic problems and issues
2. Equilibrium in the commodity market (the IS curve)
3. Equilibrium in the money market with endogenous money supply (the LM and MP curves)

4. Equilibrium in Goods and Money markets (the IS-LM model, the IS-MP model, and the aggregate demand curve)
5. Labour market and Unemployment, the aggregate supply curve
6. Exchange rates and balance of payments
7. Nature of inflation and unemployment and the Phillips curve
8. Monetary and Fiscal policy

Teaching Periods