

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

MASTER OF ECONOMICS

2009

Department of Economics

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UNIVERSITY CALENDAR

SEMESTER DATES FOR 2009

Semester One **23 February to 26 June**

Classes: Monday 23 February – Thursday 9 April

Mid-semester break: 10 April – 24 April

Classes: Monday 27 April – Friday 5 June

Examinations: Wednesday 10 June – Friday 26 June

Semester break: Monday 29 June – Friday 31 July

Semester Two **3 August to 4 December**

Classes: Monday 3 August – Friday 18 September

Recess: 21 September – 2 October

Classes: Tuesday 6 October – Friday 13 November

Examinations: Wednesday 18 November – Friday 5 December

UNIVERSITY CALENDAR

IMPORTANT DATES FOR 2009

FIRST HALF-YEAR

31 October 2008 UAC main closing date for first half-year 2009 commencement

2009

9 January UAC final closing date for first half-year applications

12–23 January Continuing students web re-enrolment

10–20 February On-line enrolment new local (and transferring) students

19–20 February New international enrolments

22 February Late enrolments

6 March Last date for changing unit enrolment

31 March Last date for discontinuing units (HECS census date)

31 March Last date for total withdrawal from course

SECOND HALF-YEAR

23 May UAC closing date for second half-year

30 June UAC final closing date for second half-year

27 July On-line enrolment new students

7 August Deadline for adding units

31 August Deadline for discontinuing units (HECS census date)

31 August Deadline for total withdrawal from course

ABOUT THE MASTER OF ECONOMICS

Overview

The Master of Economics by coursework program provides students whose background is in economics or a related discipline an opportunity to develop a graduate specialisation in economics. The program offers a wide range of units designed for students to learn the theoretical and applied aspects of modern economics, at an advanced level.

Students may include a Research Project in their program. The inclusion of a Research unit is excellent preparation for a career in research. Research Project B is a minimum requirement for admission to the M.Phil. or PhD. Further details are given on page 20.

The course can be completed on a part-time basis over two years or in one year of full-time study. Part-time candidates normally attempt 2 units per semester whereas full-time candidates normally attempt 4 units per semester. There is no minimum formal rate of progress.

International students should be aware of their visa requirements, which require enrolment in 4 units per semester.

Program Structure

Candidates must complete 8 (eight) units, including **at least one of** ECON840 Applied Econometrics I (for students with limited Econometrics) or ECON835 Applied Econometrics II. Students who are eligible to select ECON840 may also select ECON835 in a later semester. Postgraduate units in economics are designated by the prefix ECON8__.

Candidates may include amongst their 8 units a maximum of two units taken either from undergraduate ECON3__ units, or undergraduate Honours ECON4__ units, and

up to one unit taken from selected non-economics units offered internally (i.e., on campus) by a department within the Faculty of Business and Economics. These non-economics units are listed in the table below.

Eligible units available from FBE Departments (other than Economics)	
ACCG 818	Investments
ACCG 837	Capital Markets
ACCG875	Investing in Emerging Markets
ACST 827	Corporate and Structured Finance
ACST 828	Options, Futures and Derivatives
MKTG 815	Consumer Behaviour

Note that ECON801 Microeconomic Problems and ECON802 Macroeconomic Problems are special units, each unit consisting of several modules from which students have to select one.

Students selecting ECON801 and/or ECON802 are required to complete the **ECON801/ECON802 Module Selection Form** (a copy of which can be found at the end of this Handbook or on the web at <http://www.econ.mq.edu.au/Options.pdf>) and submit it to the convenor or the administrator of the M.Ec program. This form ensures that students' grades will be collected and recorded at the end of semester. It is the student's responsibility to obtain a special examination seat number from the Examination Section of the Registrar's Office **before** the start of the examination period.

Note: Students without sufficient background in economics may enrol in the Master of Economics program after completion of ECON822 Microeconomics and ECON823 Macroeconomics under the Postgraduate Diploma or Postgraduate Certificate in Applied Economics program. The Diploma consists of 6 units, including 2 compulsory units ECON822 Microeconomics and ECON823 Macroeconomics, and 4 electives chosen from a wide range of units common to

the Masters and the Diploma programs. Full credit towards the M.Ec will be given for the 4 elective units. Students who enrol in the M.Ec. program by articulation through the Diploma program will therefore complete 10 units in total, and require a minimum 3 semesters of study.

All units are offered subject to a minimum enrolment of eight students. Some units may be offered as reading units where enrolments are fewer than eight students.

Attendance

Each 800 level unit of study requires three hours of attendance per week for one half year and is normally offered in the evenings between 6.00pm and 9.00pm. Candidates who opt to take ECON801, ECON802, ECON860 or ECON861 may need to attend day lectures.

Application Procedure

Domestic students apply through the Universities Admissions Centre (UAC). Application forms and relevant information is available on their website at <http://www.uac.edu.au/>

International students apply directly through Macquarie International at www.international.mq.edu.au

Enrolment and re-enrolment

Enrolments and re-enrolments are done online via eStudent. Enrolment instructions will be sent to all students.

Change of Program

Students may change their programs online up to the end of Week 2 of semester.

Contact Details

It is often imperative to contact students to advise them of changed circumstances or to confirm enrolment details. Please ensure that your contact details are updated as necessary. This can be done online via e-student.

University Rules

More details on University rules governing the Master of Economics can be found in the *Handbook of Postgraduate Studies 2009*, which is available in hard copy from the Cashier at the Student Centre.

A copy of this information can also be found on the Macquarie University Web site at <http://handbook.mq.edu.au/>

2009 TIMETABLE

(Please check timetables at <http://www.timetables.mq.edu.au> in case of any late changes.)

2009, SEMESTER 1—800 LEVEL UNITS

MONDAY

ECON840 Applied Econometrics 1	18.00-21.00	W6B 320
ECON847 International Trade	13.00-16:00	E7B 264
ECON853 Economics of Public Issues	18.00-21.00	C5C 236

TUESDAY

ECON844 Monetary and Financial Policies	18.00-21.00	C5A 404
ECON857 Ec. Development & World Ec. Order	18.00-21.00	C5A 226
ECON860 Advanced Microeconomics (tutorial)	16:00-17:00	TBA

WEDNESDAY

ECON847 International Trade	18.00-21.00	E5A 116
ECON860 Advanced Microeconomics	14.00-18.00	W5C 213
ECON864 Mathematical Economics	18.00-21.00	E3A 270

THURSDAY

ECON828 International Investment and Risk	10.00-13.00	C5A 232
ECON846 International Monetary Policy	18.00-21.00	W5C 211
ECON867 International Financial Management	09.00-12.00	E7B T3
ECON867 International Financial Management	18.00-21.00	W6B 336

2009, SEMESTER 1—ECON801/ECON802 MODULES

(Please check <http://www.timetables.mq.edu.au> for *tutorial* times)

MONDAY

Module 303	International Economics	14.00-16.00	E7B 263
Module 356	History of Economic Thought	11.00-13.00	W6B 338
Module 394	The Japanese Economy	16.00-18.00	W5C 220

TUESDAY

Module 333	Econometric Methods	15:00-18:00	E6A 108
Module 350	Money and Finance	18:00-21:00	C5C T1
Module 396	European Union Economics	16:00-18:00	W5C 220

WEDNESDAY

Module 309	Industrial Organisation	15.00-17.00	W5A T1
Module 309	Industrial Organisation	18.00-20.00	E7B 100

THURSDAY

Module 349	South-East Asian Economics	09:00-11:00	E6A 131
Module 350	Money and Finance	15.00-18.00	X5B T1

2009, SEMESTER 2—800 LEVEL UNITS

(Please check timetables at <http://www.timetables.mq.edu.au> in case of any late changes.)

MONDAY

ECON847	International Trade	18.00-21.00	W6B 325
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TUESDAY

ECON835	Applied Econometrics II	18.00-21.00	X5B 143
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WEDNESDAY

ECON847	International Trade	11.00-14:00	E7B T2
ECON867	International Financial Management	18.00-21.00	E6A 131
ECON884	Applied Game Theory	18:00-21:00	W5C 234

THURSDAY

ECON867	International Financial Management	11.00-14.00	E7B T3
ECON828	International Investment and Risk	18.00-21.00	E5A 131
ECON861	Advanced Macroeconomics	14.00-18.00	W6B 338

2009, SEMESTER 2—ECON801/ECON802 MODULES

(*Please check <http://www.timetables.mq.edu.au> for *tutorial* times)

MONDAY

Module 360	International Finance	13.00-16.00	X5B T1
Module 361	Economic and Business Forecasting	17.00-19.00	E7B T3

TUESDAY

Module 311*	Macroeconomic Policy	11.00-13.00	W5A T1
Module 311*	Macroeconomic Policy	18.00-20.00	E5A 131
Module 312	Health Economics	15.00-18:00	W5C 220

WEDNESDAY

Module 359*	Environmental Economics	9.00-11.00	E4B 314
Module 360	International Finance	18.00-21.00	E7B T3

THURSDAY

Module 332	Econometric Models	18.00-21.00	E7B 164
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FRIDAY

Module 335	Economics of Financial Institutions	17:00-20:00	E7B Mason
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UNIT DESCRIPTIONS - 800 LEVEL UNITS

ECON828 International Investment and Risk

Description

This is an advanced-level course concentrating on various techniques in financial risk management. Topics include the analysis of risk and return, financial derivatives, international bond markets, dependence modelling, banking regulations, managing market, credit and operational risk and economic capital. A strong emphasis is placed upon developing a rigorous analytical skill-base which can then be applied to real-world issues in the financial industry.

Topics

Financial Products and how they are used for hedging

How to manage exposures

Interest Rate Risk

Dependence, Correlations and Copulas

Bank Regulations and Basel II

Capital Asset Pricing Models and Multifactor Models

Value-at-Risk and other Risk Measures

Managing Market Risk

Managing Credit Risk

Operational Risk

Model and Liquidity Risk

Derivatives

Global Bond Portfolio Management

International Portfolio Investment

Assessment

Essay 30%

Examination 70%

Textbook

Hull, J. (2007) *Risk Management and Financial Institutions*, 1st edition, Pearson

Lecturer-in-charge

Dr Stefan Trueck

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email: stefan.trueck@mq.edu.au

ECON835 Applied Econometrics II

Prerequisite: ECON840 Applied Econometrics I (or equivalent)

Description

The objective of this course is to provide postgraduate-diploma or masters-degree students, majoring in Economics or related areas such as finance or commerce, with an opportunity to acquaint themselves with the basic methods and limitations of econometric analysis.

The basic theory underlying the estimation, testing and evaluation of econometric models will be presented and applied to several practical applications. The discussion of these applications will be based on lecture examples or on results obtained during tutorials. Computing output will be obtained using the *Shazam* econometrics package.

Assessment

Mid semester test 20%

Project 30%

Examination 50%

Textbooks

TBA

Lecturer-in-charge

Dr Stephane Mahuteau

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ECON840 Applied Econometrics I

Description

This unit introduces students to methods and methodological issues in applied economic research. The unit is designed to be flexible enough to cater for students who previously have had only minimal exposure to the mathematical and statistical theory on which many of the methods used in applied economic research are based. Starting from first principles, the

technical aspects of the various methods will be outlined to the extent necessary to enable students to understand key concepts, apply the methods, and interpret results.

The aim of the unit is twofold. Firstly, to ensure that students proceed through the Masters program with a working knowledge of applied economic research methods and secondly, to provide students with an appreciation of the advantages and limitations of these methods from both a practical and a methodological perspective.

Note: Students who have completed ECON141 or equivalent may not select ECON840.

Topics

Basics

Random Variables and Probability Distributions

Sampling Distributions and Hypothesis Testing

Regression Analysis

Additional Topics in Regression Analysis

Assessment

Assignments 30%

Examination 70%

References

TBA

Lecturer-in-charge

Dr Chris Heaton

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ECON844 Monetary and Financial Policies

Description

This unit examines a number of issues in monetary theory and policy. We begin with a quick refresher survey of the workhorse models in macroeconomics – ISLM, ASAD, and then develop them for intertemporal modelling. Issues in monetary and fiscal policy design are then discussed, particularly in regard to the global financial crisis of 2008-9. This leads to the development of the key models of monetary economies in professional use today. They are based on

what are known as “dynamic stochastic general equilibrium” (DSGE) models. These models were first developed in the context of real business cycle models with flexible prices. The policy relevant ones include a variety of nominal rigidities, and are often referred to as “New Keynesian” models. The basic version has 3 equations (dynamic IS relation, a modern Phillips curve, and an interest rate rule), which has the virtue that it can be easily manipulated both analytically and numerically. A key issue is how to determine optimal monetary policy, and we will begin to examine how one thinks about this.

Prerequisite: Intermediate macroeconomics or equivalent.

Topics

Introduction; empirical regularities of money, prices, output and interest rates

Basic monetary models

Money and public finance, optimal inflation

Real business cycle theory, the New

Keynesian model with nominal rigidities.

DSGE models with nominal rigidities

Optimal monetary policy

Monetary policy in practice; inflation targeting; crises

Assessment

2 online quizzes 15%

Semester paper 15%

Mid-semester test 30%

Final examination 40%

Textbook references

For the first third of the course,

Olivier Blanchard & Jeffrey Sheen
***Macroeconomics* Pearson, 2nd Australasian edition, 2006**

For the rest of course, selected chapters from

Carl E Walsh, *Monetary Theory and Policy* MIT Press, 2nd edition, 2003

Jordi Gali, *Monetary Policy, Inflation and the Business Cycle*, Princeton Press, 2008

Michael Wickens *Macroeconomic Theory* Princeton Press, 2008

Lecturer-in-charge

Professor Jeffrey Sheen

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email: jeffrey.sheen@mq.edu

ECON846 International Monetary Policy**Description**

The objective of this course is to examine selected issues in international monetary economics. We will look at models of money and inflation and analyse the role of monetary and fiscal policies. We will also consider theories of exchange rate determination and models of currency crises. In addition, we will look at the issues of external debt and optimal currency areas. Finally, we will discuss selected macroeconomic puzzles.

Prerequisite: Intermediate macroeconomics or equivalent.

Topics

International Monetary System: Principles and Problems; Role of IMF; Reform Issues
 Saving, Investment and the Current Account. Policy Issues
 External Debt and Solvency: HIPC Initiative
 International Reserves and Liquidity: Issues of Adequacy and Equity
 Confidence Problem and International Monetary Crises
 European Monetary Union and Currency Unions

Assessment

TBA

References

There is no single text for the unit. Specific reading material is assigned for each topic. All reading material is available in the Special Reserve Section of the main Library. Many readings are available to download from the Library website at <http://www.lib.mq.edu.au>

Useful background reading can be found in:

Argy, V. (1994) *International*

Macroeconomics: Theory and Policy,

London, Routledge

Lecturer-in-charge

Dr Natalia Ponomareva

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ECON847 International Trade**Description**

This unit examines international trade both in theory and practice. Topics include: globalisation, inter- and intra-industry trade determination, explicit and implicit trade barriers, political economy of trade, trade and developing countries, trade blocs, international factor movement, Australia's trade and balance of payments, and international trade and exchange rate movements.

Topics

The Theory of Comparative Advantage
 Trade and Income Distribution
 New Theories of Trade
 Trade Restrictions: Tariffs
 Trade Restrictions: Non-Tariff Barriers
 Political Economy of Trade
 Globalisation and WTO's Contentious Issues
 Trade Blocs
 Trade and Development
 Australia's Trade and Balance of Payments
 International Factor Movements:
 Immigration and Foreign Investment
 International Trade and Exchange Rates

Assessment

Within-semester test 30%

Final examination 70%

Major Reference

Gerber, J. (2005) *International Economics*, 3rd ed., Pearson

General and specific references, as well as useful websites, will be provided in the unit outline. Additional, up-to-date journal

articles on trade issues will also be provided weekly.

Lecturer-in-charge

Marc Lombard
Room E4A 436
Phone 9850 8501
email marc.lombard@mq.edu.au

ECON852 Industry Regulation and Public Enterprise –*offered as a reading unit only - please contact Dr Craig Freedman prior to enrolment. Not offered in 2009*

Description

This course examines potential government policies to correct market inefficiencies. In effect, government can act as an alternative governance system which alters the terms of economic contracting. These policies can basically be divided into two broad categories. The substitution of public for private provision of goods and services, or changing the existing market incentive structures in such a way that economic agents choose to act more efficiently. This is a reading course that explores the consequences of governmental interference into the contractual market framework. It is not a lecture course. Each week students will need to prepare three or four journal articles dealing with some aspect of economic regulation. Reading such articles is time consuming and difficult. The course requires a strong background in, and understanding of, micro-economics. All prospective students will need to consult the lecturer-in-charge before enrolling, as enrolment will not be possible without prior approval.

Topics

Pricing and the Problem of Monopoly
Pricing and Information
The Organisation of Government
Rent Seeking and the Public Purpose
Public Ownership
Theory of Regulation
Regulating Utilities
Regulating Consumer Safety
Privatisation and Contracting Out

Competition Policy – The Anti-Trust Problem

Competition Policy – Unfair Competition

Assessment

Seminar Paper A	20%
Seminar Paper B	20%
Seminar Paper C	20%
Research Paper	40%

Lecturer-in-charge

A/Professor Craig Freedman
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ECON853 Economics of Public Issues

Description

The aim of this unit is to study the role of economic theory and analysis in informing decision-making on matters of public policy. Appropriate theory and analytical methods will be outlined and discussed, and their use in considering particular issues will be explored. The unit is structured partly around particular theories or methods of importance to the analysis of public policy, and partly around specific policy issues themselves.

Generally each session will comprise approximately two hours of lecture time and up to one hour of discussion. However, sessions will be flexibly organised to allow ample scope for student participation and interaction.

Topics

Twelve topics will be chosen from amongst the following:

Education Policy
The Economics of Foreign Students
Defence and Security
Ecologically Sustainable Development
The Energy Sector
The Problem of Climate Change
Privatisation
Transport Policy
House Prices and Housing Policy

The Economics of Tourism
The Non Profit Sector
The Economics of Intellectual Property
Arts and Cultural Industries
Demand for Public Outlays
Labour Standards and Trade
The Economics of Efficiency, Fairness and Equity
The Economics of Cultural Heritage

Assessment

Three assignments each of 2000 words.

References

No set text is required. Each topic has its own list of references. Copies of main references are placed in Special Reserve in the University library.

Lecturer-in-charge

Professor David Throsby
Room E4A 438
Phone 9850 8474
email: david.throsby@mq.edu.au

ECON857 Economic Development and World Economic Order

Description

This unit is concerned with the relevance of historical experience to the problems confronting developing countries today; economic and social factors affecting the development process; population and economic development; education, human capital and development; income distribution and poverty; agriculture modernisation and growth; urban-rural dichotomy; the relationship between equality and development; trade, aid and development. The unit is also likely to be useful to non-economics (eg, sociology, anthropology, philosophy etc.) students.

Topics

Historical Experience and Major Theories of Economic Development and Policy
Concept of Development and measurement
Economic Growth and Development

Income Distribution and Poverty: Concept and measurement
Some Development models
Trade Policies in Developing Countries
The World Bank, the IMF and the Third World Debt Crisis
Nutrition, Health and Development
Democracy and Development

Assessment

Class test	10%
Seminar Paper	15%
Research assignment (Case study)	15%
Final Examination	60%

Textbook

Michael P. Todaro and Stephen C. Smith,
Economic Development, Tenth Edition,
Addison-Wesley, 2009

Selected Other References

Cypher, James M. and Dietz, James L.
(2009) *The Process of Economic Development*, Routledge
The World Bank *World Development Reports* (various), The World Bank
(Additional references available in the Unit Outline)

Lecturer-in-charge

Dr Pundarik Mukhopadhaya
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pundarik.mukhopadhaya@mq.edu.au

ECON860 Advanced Microeconomics

Description

Topics include:
Introduction to the Arrow-Debreu model;
Consumer Theory; Producer Theory;
Existence of Equilibrium; Uniqueness of Equilibrium; Stability of Equilibrium;
Optimality of Equilibrium; Comparative Statics in Multi-market Economies;
Applications; Empirical Testing; Temporary Equilibrium; Other Extensions.

Assessment

Assessment in the course consists of one essay, the best five out of six tutorials and a final examination.

Tutorial

There will be one tutorial hour per week to help with learning of the unit material. The tutorial for a particular section of material will be held *before* the relevant lecture in order to 'map out the territory', raise consciousness and stimulate prior reading.

Textbook

Mas-Colell, A., Whinston M. D. and Green J. R. (1995) *Microeconomic Theory*, Oxford University Press, New York and Oxford

References

- Blad M. C. and Keiding, H. (1990) *Microeconomics: Institutions, Equilibrium and Optimality*, North-Holland
- Cornes R. (1992), *Duality and Modern Economics*, Cambridge University Press, Cambridge
- Kreps, D. M. (1990), *A Course in Microeconomic Theory*, Harvester-Wheatsheaf, N.Y.
- Varian, H.R. (1992) *Microeconomic Analysis*, 3rd ed., Norton, N.Y.
- Eatwell, J., Milgate, M. and Newman, P. (1987), *The New Palgrave Dictionary of Economics*, MacMillan, London, (abbreviated throughout as *NPDE*)
- Durlauf, S. N. and Blume, L. E (2008), *The New Palgrave Dictionary of Economics*, (2nd Edition)

Lecturer-in-charge

A/Professor Tony Bryant
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ECON861 Advanced Macroeconomics

Description

This unit covers theoretical and empirical applications with an emphasis on the former. Topics include: long-term growth,

unemployment, fluctuations in consumption and investments, stabilisation policies, current account imbalances and the determination of the exchange rate.

Topics

Representative Agent - Two Period Intertemporal Model
Representative Agent - Infinite Horizon Intertemporal Model
Overlapping Generations Model
Real Exchange Rate and Terms of Trade
Global Linkages and Economic Growth

Assessment

TBA.

Textbook

Obstfeld, M. and Rogoff, K. (1998) *Foundations of International Macroeconomics*, MIT Press, Cambridge, Mass.

Lecturer-in-charge

Dr Max Tani
Room E4A 442
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email: max.tani@mq.edu.au

ECON864 Mathematical Economics

Description

This unit is concerned with the application of mathematical techniques to problems of economic theory and policy. The unit will deal with comparative statics and dynamic economic analysis. The comparative static analysis will deal with qualitative economics, optimisation, optimal value functions and correspondence principle. The dynamic economic analysis will consist of linear single equation models, non-linear single equation models, linear simultaneous equation models and optimal control theory. The inclusion of topics involving difference equations will be dependent on the mathematical backgrounds of students enrolled in the unit.

Assessment

The assessment will be based entirely on the final examination. All questions in the final examination will be taken directly from the exercises that are provided with the notes.

Textbook

There is no suitable textbook for the unit. A variety of references will be used.

Lecturer-in-charge

Dr Edwin Franks

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ECON867 International Financial Management

Description

The focus of ECON867 is to provide the student with a thorough introduction to the analytical tools required by a financial manager to operate in the international business environment. This includes developing a full understanding of the foreign exchange market and its operation; the relationships between exchange rates, interest rates, and price levels; the financial instruments that facilitate the conduct of international corporate activity, including currency risk management; and how international corporations make financing and investment decisions.

Note: Students who have completed ECON360 International Finance (or equivalent) may not select ECON867.

Topics

Comparative Corporate Governance and Financial Goals

The International Monetary System

The Balance of Payments

International Parity Conditions

Foreign Exchange Determination and Forecasting

Foreign Currency Derivatives

Transaction Exposure

Operating Exposure

Global Cost and Availability of Capital
Sourcing Equity Globally
Financial Structure and International Debt
Interest Rate and Currency Swaps
International Portfolio Theory and Diversification
Foreign Direct Investment Theory and Management
Political Risk Assessment and Management
Multinational Capital Budgeting
Cross-Border Mergers, Acquisitions, and Valuation

Textbook

Eiteman, D., Stonehill, A. and Moffett, M. (2007), *Multinational Business Finance*, 11th edition, Pearson Addison Wesley Inc., Boston.

Lecturer-in-charge

Dr George Milunovich

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email: george.milunovich@mq.edu.au

ECON883 Ethical Perspectives on Economics – not offered in 2009

Description

This unit examines the relationship between moral and political philosophy and economic theory with a view to a richer understanding of contentious policy issues. At issue will be the extent to which economic theory and argument reflects, often implicitly, characteristic concerns of the major approaches to moral philosophy, and why an informed and critical appreciation of these effects is important for understanding the sources of success and failure of economic analysis. These and other issues will be examined in light of particular applications of economic theory to social and political questions. The latter will include aspects of social policy, environmental issues and issues relating to property rights.

No prior philosophical background is presumed. The essentials of the relevant

approaches will be adequately covered in set readings and lectures.

Topics

The Meaning of 'Welfare' in Welfare Economics, and Broader Interpretations
Well-being, Agency and Freedom
Rationality, Well-being and Real-Life Decision- Making
Distributive Justice and Economic Theory
Equality and Inequality
The Role of Value Judgements in the Assessment of Economic Outcomes

Assessment

TBA

References

There is no central text for the unit, but the following works will feature prominently:

- Berliner, J.S (1999) *The Economics of the Good Society: The Variety of Economic Arrangements*, Basil Blackwell
- Hausmann, D.M. & McPherson, M.S. (1996) *Economic Analysis and Moral Philosophy*, Cambridge University Press
- Sen, A.K. (1987) *On Ethics and Economics*, Basil Blackwell

Lecturer-in-charge

Dr Wylie Bradford
Room E4A 425
Phone 9850 8467
email: wylie.bradford@mq.edu.au

ECON 884: Applied Game Theory

Description:

Game theory has emerged as an important field providing economists and managers with tools to deal with strategic and social interactions. The aim of this course is to introduce students to the methodology of Game Theory with an emphasis on applications to real economic issues such as bargaining, price formation, industrial organization, workplace relations. The first half of the course will be more lecture-based in order to give the students the necessary tools to comprehend the wide literature on the subject. The second half will involve readings

on a variety of topics where Game theory and Experimental economics constitute a relevant tool of analysis.

Topics:

Introduction to Game theory and definitions.
Nash equilibrium in static normal form games.
Nash solution and the bargaining problem: application to wage negotiations.
Dynamic games of complete information: Subgame perfection and applications (offer counteroffer games and timing games).
Introduction to Experimental economics and the Ultimatum bargaining experiments.
Repeated games: the Folk Theorem/ Renegotiation proofness.
Static games of incomplete information and experiments on Auctions. Application to the 3G auctions.
Dynamic games of incomplete information and trembling hand perfection.
Reputation effects, the Chain Store paradox and related experimental results.
Public goods: Theory and Experimental results
Further topics in Game theory: Learning in Games, Social Network formation, etc...
Evolutionary games.

Assessment

Essay in the form of the design of an Economic Experiment with a 30 minutes oral presentation 40%
3 hours Written Final Examination 60%

Lecturer in charge

Dr. Stéphane Mahuteau
Room E4A 528
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DESCRIPTIONS - ECON801/ECON802 MODULES

Module 303 International Economics

Dr Natalia Ponomareva

This unit deals with 'pure' trade theories and international monetary theories. The trade component includes: trade determination theories, empirical tests of such theories, tariffs and other trade-restricting devices, trade blocs and trading problems involving issues between rich and poor countries. The monetary component includes theories of exchange rate and current account determination, problems of the international monetary system and policy issues.

Module 309 Industry Economics and Policy

Dr Wylie Bradford

In standard economic theory, markets exist to allocate and distribute a nation's wealth through the process of exchange. The way in which a society organises these markets and the purposes to which the resulting structures are put, cannot be understood without in turn comprehending the way in which industries are organised within that economy, specifically the contractual arrangements that facilitate economic exchange. The course will analyse markets, firms and government as simply three different institutional or governance structures which serve to accomplish given economic objectives. The issue then becomes not which one should be utilised, but which is the most efficient mix. The actual mix chosen will depend upon the comparative transaction costs of using each one.

Module 311 Macroeconomic Policy

Professor Lance Fisher

The unit is concerned with the formulation and implementation of macroeconomic policy. Topics covered include the design of monetary policy given the trade-off between inflation and unemployment; inflation targeting and the monetary transmission mechanism, with particular reference to the housing market; the impacts of government debt; taxation policy; monetary and fiscal policy under flexible and

fixed exchange rates; and macroeconomic policy in a real business cycle framework

Module 312 Health Economics

Associate Professor Glenn Jones

The unit focuses on the application of economic analysis to health markets. It covers such topics as: the institutions of the Australian system of health care and health statistics, evaluation techniques, production of health, demand for health care and technology, moral hazard and adverse selection in health insurance markets; health labour markets, including physician-patient interactions; managed care; regulation and payment systems for providers; comparative health systems; the pharmaceutical industry; health policy and social insurance.

Module 332 Econometric Models

Roger Tonkin

The purpose of this unit is to provide economics and econometrics students with an overview of the major types of macroeconomic models used in practice. At least two major Australian macroeconomic models are discussed in detail. Topics include: A taxonomy of macroeconomic models from Klein to Johansen; the solution of linear and non-linear systems; multiplier analysis in linear and non-linear systems; model simulation; policy analysis; the Orani model; the Murphy model; the Access Economics Model (AEM); the Treasury Macroeconomic Model of the Australian Economy (TRYM); the Monash model. Familiarity with matrix algebra is desirable, but not essential. Model simulations are implemented using an econometric computer package.

Module 333 Econometric Methods

Dr Daehoon Nahm

The purpose of this unit is to extend the econometric techniques and theory beyond the ideal world of the classical linear regression model. It introduces various

econometric methods and their properties to analyse more realistic economic phenomena where some of the classical assumptions are most likely to be violated. The topics will include: review of the classical linear regression model; parametric restrictions and hypothesis testing; regressions with lagged variables; systems of regression equations; models for panel data; simultaneous equations models; and binary choice models.

Module 335 The Economics of Financial Institutions

Associate Professor Sean Turnell

ECON335 provides an overview of the Australian and global financial systems and examines, in depth, the various aspects of financial institutions management. Topics covered include the objectives and performance of financial institutions, risks and their controls, asset and liability management, off-balance sheet banking, merchant banking, central banking, capital adequacy and regulation. The unit will pay particular attention to the events and circumstances that, in recent times, have caused great difficulties in the financial sector, as well as the lessons learnt as a consequence. The role that financial institutions play in economic development is explored, as are the problems and possibilities of what has become known as 'microfinance'. Rigorous economic analysis is central to the methodological approach of ECON335 but other disciplines, such as history, are also employed to provide a fully-rounded picture.

Module 349 South-East Asian Economies

Dr Alison Vicary

The problems of economic development of South-East Asian countries. Topics include agricultural development and impact of the agrarian reforms, problems of industrialisation, the role of the state in economic development, labour, foreign trade and investment, the process of regional integration. The course also deals with the reasons for the emergence of the Asian financial crisis in 1997.

Module 350 Money and Finance

Associate Professor Sean Turnell

ECON350 provides a review and analysis of the role and characteristics of financial markets and the institutions and intermediaries that facilitate the various markets' primary and secondary market functions. The focus will be on both the Australian and broader Asian context, with applications made in particular to China's equity markets (namely Hong Kong and Shanghai). The structure of equity, debt (fixed-income) and derivative markets feature as key areas with due consideration given to the characteristics and pricing of the underlying securities that trade in such markets.

Module 356 History of Economic Thought

Dr Wylie Bradford

The major developments in economic analysis from the 18th century. The subject traces the historical development of the main schools of thought in economic theory. Philosophical, social and political factors that have affected the development of economic theory are also considered. Individual economists to whom attention is paid include Quesnay, Smith, Malthus, Ricardo, J.S. Mill, Marx, Jevons, Marshall, Keynes and Galbraith.

Module 359 Environmental Economics

Dr Wylie Bradford

This unit deals with the application of economic principles to the management of the environment. It discusses the nature and causes of environmental problems, and ways to achieve efficient and sustainable use of environmental resources such as energy, minerals, water, forests and fisheries. It discusses ways of dealing with water, air and soil pollution. It also discusses international problems such as the loss of biodiversity, global warming and the threat to the ozone layer. Case studies are drawn from Australian and international experience. The unit should be of interest to students interested in some of the fundamental issues facing mankind around the globe.

Module 360 International Finance

Professor Geoff Kingston

The aim of this unit is to analyse the structure, functions and operations of the international financial system and to evaluate its impact on the Australian economy. Topics will include: international capital flows and balance of payments; analysis of foreign exchange markets, arbitrage and speculation; discussion of purchasing power parity and real exchange rates; currency and commodity swaps; corporate management of exchange rate risk exposure in spot and forward markets; currency futures and options, eurodollar markets; models of exchange rate determination; exchange rate forecasting techniques; international trade finance; international taxation and foreign and direct portfolio investments; international capital budgeting.

Note: This unit is not to be counted with ECON867 International Financial Management.

Module 361 Economic and Business Forecasting

Dr Chris Heaton

This unit provides an introduction to economic forecasting. The topics covered will usually include exponential smoothing, ARIMA and vector autoregression. The emphasis of the unit is on producing sound solutions to practical forecasting problems, rather than proving theoretical results for their own sake. The unit material is illustrated with applications to forecasting problems in economics and business and the assignment requires students to produce their own forecasts. Practical work is carried out using a simple statistical software package. The objective of the unit is to produce graduates who understand the nature of forecasting problems and can produce sound forecasts for use in business and economic analysis.

Module 394 The Japanese Economy

Alex Blair

The unit covers some of the main features of the Japanese economy. The topics covered include postwar economic history, industrial policy, the Japanese corporation, international trade and international finance, foreign investment, the agricultural sector, distribution, education, health, environmental and living conditions.

Module 396 European Union Economics

Marc Lombard

This unit examines the economic performance and policies of the European Union and of some of its leading members. It analyses key political and economic issues affecting the successful integration of the European Union, and examines their effect on member countries. Overall, it intends to be a comprehensive and up-to-date course on the economics and politics of the world's largest market.

ECON859/ECON881 and ECON882 Research Project

The Research Project is available in two weights. ECON859 carries a weight equivalent to one unit and ECON881 and ECON882 carry weights equivalent to two units. Students would not normally select Research Project until they have completed at least one semester of the M.Ec. **Research Project B** is comprised of ECON881: *Research Project B – Part A* and ECON882: *Research Project B – Part B*. These two units must be taken in two consecutive semesters, starting from either semester 1 or semester 2. ECON859: *Research Project A* can be taken in either semester. Students who intend to proceed to apply for a Ph.D. program later on should include Research Project B in their M.Ec program. Approval for Research Project B requires students to have a grade point average *above* the Credit level.

Selection of topic

The first priority is to settle on a project topic that appeals to you and for which we can offer suitable supervision.

Students who are currently in employment may choose a topic relevant to their job. This has the advantage that they are able to work on their project during work hours and using the facilities and/or data in their office. If you are in this position then you need to select a supervisor who is familiar with your proposed field of investigation. In the first instance you should discuss the availability of such supervision with the Program Convenor. If we are unable to offer suitable supervision for your chosen topic you may need to select an alternative.

The usual procedure is for the student to approach one, or maybe several, members of staff and discuss possible subject areas that are of mutual interest. Out of these discussions the student will choose or be guided to a particular topic. The student must then secure the agreement of the staff member concerned to supervise the topic. Bear in mind that you are asking the staff member to commit considerable time to work with you. Many supervisors will prefer you to work on a project of their choosing, particularly if you do not have very specific plans of your own, as the work will then have continuing benefit and support from both participants.

When agreement is reached on a project topic, and on which staff member is to be the supervisor, please inform the Program Convenor. This can be done by using the **Research Project Student Declaration Form** included at the end of this Handbook.

Requirements of the project

The project could involve at least two major tasks (but not necessarily both).

(i) Literature search and review; survey of the recent developments in a field. It is expected that students be able to provide critical insights on the literature that extends the

literature in some way. The CD-ROM directories in the Library are invaluable tools for beginning such work.

(ii) Data collection and appropriate analysis and reporting of results. While empirical work is not essential it is certainly encouraged, especially in ECON881 and ECON882. If a student wishes to use ECON881 and ECON882 as evidence of research potential for admission to M.Ec by research or PhD, independent empirical content is a must.

Length

Excluding index, bibliography and (usually) appendices, the length of the Research Project should be between 8,000 and 11,000 words (approximately 50-70 pages of A4 double-spaced pages) for ECON859 and 18,000 to 20,000 words (approximately 100-150 pages of A4 double-spaced pages) for ECON881 and ECON882. For certain topics (for example those with considerable theoretical content) fewer than the above minimum words may be acceptable.

Presentation

The project must be word processed using double spacing. It is essential to use some form of binding that ensures convenient storage of the Project. Loose leaf spring binders are not acceptable. However, some form of spiral binding or stapling is acceptable. The Library has an inexpensive and fast binding service.

Ultimately you will need to provide two copies for ECON859 and three copies for ECON881 and ECON882. One copy is to be submitted to the M.Ec Program Convenor, which will be then be placed in the Departmental library, and the other copies are to be submitted to your supervisor.

Dates for submission of project

Students submit their Research Project by the end of the examination period. If for some substantive reason you cannot make

that deadline you must inform your supervisor and obtain his/her agreement to submit later. Normally in this circumstance students will receive an 'I' grade in their results, but it is conceivable that failure to inform your supervisor of the reasons for not submitting on time could result in an FA or F grade being recorded.

If you have been enrolled in ECON859/882 in Semester 2 and make the appropriate arrangements and submit your Project late, but before re-enrolment day for postgraduate students (ie about the middle of February), you will not have to re-enrol in that unit. This means that if the project is your only outstanding unit and if it is awarded a passing grade you will not need to pay any further fees for this degree.

If you have been enrolled in ECON859/882 in Semester 1 and submit your project for examination before August 30 then you will not have to re-enrol in that unit (assuming you are awarded a Pass grade).

Interaction with your supervisor

As in any collaboration, there are a number of courtesies to be observed. These include: Seeing your supervisor on a regular basis, by prior appointment, to report on progress. A one-hour meeting each month is probably adequate to keep the continuity of your project. Do not let the gap be much longer; remember your supervisor may want you to change direction. If there is going to be a long gap, let your supervisor know what is happening.

Discuss the way you will write up your work. Remember that report writing is an exercise in communicating with a reader. Therefore long-winded, rambling presentations and extensive regurgitation of material from published works are to be avoided. As sections (say chapters) of your first draft are written ask your supervisor to read them and comment. Then work on the

suggestions and rewrite. The sooner your supervisor gets a chapter draft the sooner you will get it back and the longer the time you will have to respond to it.

The Examination process

For ECON859, your supervisor is the sole examiner of your Project for which you will receive a Pass/Fail grade. For ECON881 and ECON882 however, your Project will be assessed by two examiners; your supervisor and another academic staff member of the Department, and a grade awarded. For both types of Projects, an informal numerical mark will be reported to, and kept by, the M.Ec Program Convenor. When it is ready for examination, you should submit a copy of your Project to your supervisor. If it is not satisfactory you will be asked to rework it until your supervisor is satisfied.

ECON801 Microeconomic Problems ECON802 Macroeconomic Problems

These two units are given the generic names ECON801 MICROECONOMIC PROBLEMS and ECON802 MACROECONOMIC PROBLEMS and consist of several modules. Students elect one module for each unit. Only these generic names will appear on the student's academic record and enrolment advice, but no information about the elected module will appear in those documents. There is no necessary connection between particular modules and either title but students should take care that they do not enrol in the same subject twice especially when completing Change of Program forms.

So that appropriate arrangements can be made to collect and record students' grades for courses selected under these titles, students must complete an ***ECON801/ECON802 Module Selection Form*** (a copy of which is included at the end of

the Handbook) for each of these courses undertaken, and leave it with the Program Convenor or Administrator. If the module is changed or the subject is dropped entirely, students must complete and lodge another form.

Students should be aware that they need to obtain examination seat numbers at the start of the examination period for these, under their 300 level titles, from the examination section of the Registrar's Office (Level 4, Lincoln Building).

NOTE: ECON801 and ECON802 do not have their own examinations and it is the student's responsibility to check the examination timetable for the appropriate examination time and location.

CHANGES OF PROGRAM

Students may change their unit enrolment online. Units can be added only up until the end of Week 2.

FORMS

ECON801/ECON802 Module Selection Form, Research Project and Completion of Degree Student Declaration forms can be found at the back of this Handbook.

Additional forms can be downloaded from http://www.econ.mq.edu.au/postgraduate/coursework_degree_programs/structure_of_the_course

ECON801/ECON802 MODULE SELECTION FORM

* Complete this form if you elect to enrol in ECON801 or/and ECON802. This form must be submitted to the Convenor or Administrator of the M.Ec program.

Student Number	Family Name	Other Names

I, above named, propose to undertake the following in Semester ____ (1/2) in _____ (year)

Enrolling as	Actually Attending	
	Module Code	Unit Name
ECON801: Microeconomic Problems	ECON3__ __	
ECON802: Macroeconomic Problems	ECON3__ __	

Please complete the following table if you have already completed either ECON801 or ECON802.

ECON801 or ECON802	Actually Attended		When	
	Module Code	Unit Name	Semester	Year
ECON80__	ECON3__ __			

I realise that I am required to attend the examination in the above 300 level unit(s) and that it is my responsibility to obtain a special examination seat number from the Examinations Section of the Registrar's Office before the start of the examination period. (This can be done during week 12 or 13 by going to the Academic Programs Section, Level 4, Lincoln Building, and requesting a seat number at the final examination of the ECON3XX unit.)

I understand that I CANNOT include in my program BOTH units in any of the following combinations:

- ECON867 (International Financial Management) and Module 360 (International Finance) for ECON801 or ECON802;
- BUS801 (Business Forecasting) and Module 361 (Economic and Business Forecasting) for ECON801 or ECON802.
- ECON847 (International Trade) and Module 303 (International Economics) for ECON801 or ECON802.

Student's Signature

Date

RESEARCH PROJECT STUDENT DECLARATION FORM

* Complete this form if you want to enrol in either ECON859 *Research Project A* or ECON881/ECON882 *Research Project B*. This form must be submitted to the Convenor or Administrator of the M.Ec program at the time of enrolment. **If you intend to enrol in ECON881/882, you must consult the Convenor before seeking an agreement by potential supervisor.**

Student Number	Family Name	Other Names

I, above named, propose to undertake

Project Type (Please tick one.)	Credit Points	When (please tick one)		
		Semester 1	Semester 2	Year
ECON859: <i>Research Project A</i> ()	4			
ECON881/882: <i>Research Project B</i> ()	8			

My Research Project will concern

Topic

I propose to undertake the Research Project under the supervision of

Name of Staff Member

and I have obtained the agreement of the staff member. I have attached and shown to the above staff member a research proposal and a summary of my academic record including

- the names and grades of the units that I have completed so far under the *Master of Economics* or *Postgraduate Diploma in Applied Economics* program;
- a list of related units, with grades, that I have completed under other programs; and
- information about additional workloads (eg. employment commitments, and other units planned to take concurrently with the Research Project).

Student's Signature

Date

STAFF DECLARATION

I have spoken to the above student and read the relevant part of the M.Ec. Handbook (which is available from the Department's website), and I agree to act as Supervisor of the Research Project described above after considering the student's research proposal, academic records and workloads. (Please note that a student must have GPA higher than the Credit level (3.0) to take *Research Project B*.)

Name	Staff Member's Signature	Date