

Course information 2020-21

EC2065 Macroeconomics

General information

COURSE LEVEL: 5

CREDIT: 30

NOTIONAL STUDY TIME: 300 hours

Summary

This course introduces students to the most influential and compelling theories designed by macroeconomists to explain issues related to the determination of output, unemployment and inflation. Students will acquire a logical and consistent framework for understanding the main macroeconomic facts and events, and develop the ability to employ the correct macroeconomic tool(s) to explain specific macroeconomic issues and justify policy proposals.

Conditions

Prerequisite: If taken as part of a BSc degree, the following course(s) must be passed before this course may be attempted.

- EC1002 Introduction to economics **AND**
- **Either** MT105A Mathematics 1 (half course) **OR** MT1174 Calculus **OR** MT1186 Mathematical methods)

Aims and objectives

The aims of this course are:

- show how our understanding of how economic systems operate has evolved substantially
- explain why the growth rate of aggregate output varies from year to year
- explain what determines unemployment and inflation in the short run and in the long run
- discuss how macroeconomic policy might influence business cycles or long run growth.

Learning outcomes

At the end of the course and having completed the essential reading and activities students should be able to:

- Define and analyse the determinants of business cycles, long run economic growth, unemployment, inflation.
- Use and apply a wide range of economic models to analyse contemporary and historical macroeconomic events, and formulate and propose appropriate macroeconomic policies.

Please consult the current EMFSS Programme Regulations for further information on the availability of a course, where it can be placed on your programme's structure, and other important details.

Essential reading

For full details, please refer to the reading list.

Blanchard, O. *Macroeconomics*, (Upper Saddle River, NJ: Prentice Hall, 2012) sixth edition [ISBN 9780273766339] (www.prenhall.com/blanchard).

Dornbusch, R., S. Fischer and R. Startz *Macroeconomics*. (New York: McGrawHill, 2011) eleventh edition [ISBN 9780071289252].

Mankiw, N.G. *Macroeconomics*, (Worth, 2012) eighth edition [ISBN 9781464121678].

Assessment

This course is assessed by a three-hour unseen written examination.

Syllabus

This course covers the main principles involved in the determination of real income, employment and unemployment, the price level and inflation in an open mixed economy, and the conduct of macroeconomic policy.

The main topics are:

- Aggregate demand in a closed economy: the determinants of consumption, investment, demand for and supply of money; wealth effects; the IS-LM model and policy prescriptions.
- Aggregate demand in an open economy: exchange rate regimes, international trade and capital flows, and external balance; the IS-LM-BP model and policy prescriptions.
- Aggregate demand, aggregate supply and the price level: the aggregate demand curve; short and long run aggregate supply curves; the aggregate demand-aggregate supply model and its applications to the determination of the price level and real income, and demand management policy; the neo-classical (Solow) growth model.
- Inflation and unemployment; models of inflation; costs of inflation; counter-inflationary policy; full employment and the natural rate of unemployment; types and causes of unemployment, and policies to reduce them.

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