## ECO 2201 MACROECONOMICS

**Course Description:**

This course looks at three main issues: open economy macroeconomics (as a continuation of the closed economy outlook taught in Introductory Macroeconomics), growth theory (main approaches, their conclusions, and the check of evidence), and third, the supply of the economy (aggregate supply curve and Phillips curves, issues on stabilization policy and trade offs).

**Course Objectives**

Upon completing this course, students are expected to:

* + - * Demonstrate understanding of national income accounting and major economic magnitudes.
      * Analyze factors that affect the longer-term performance of the economy.
      * Develop a theoretical model of the macro economy.
      * Identify forces that determine the growth rate of an economy.
      * Examine policies governments may use to influence the rate of growth.
      * Identify the causes and consequences of business cycles and analyze the response of policymakers to cyclical fluctuations.
      * Develop a general framework for a macroeconomic analysis and analyze how macroeconomic policy works and how it can best be used.
      * Examine how the nation’s money supply is determined and explore how the central bank should conduct monetary policy.
      * Analyze the macroeconomic effects of fiscal policy on economic activity, the burden of government debt and the link between budget deficits and inflation.

**Learning Outcomes:**

By the end of this course, students are expected to

* + - * Develop their economic literacy by extending their understanding of macro- (and micro-economic) concepts beyond the ECO 1202 Introductory Macroeconomicslevel.
      * Enhance students’ understanding of and contribution to a changing society in an informed and responsible way as a result of their grasp of macroeconomic concepts.
      * Consolidate student interest in macroeconomics (and economics in general) and its application to policy issues.
      * Improve students’ writing and verbal communication skills, by applying their understanding of economic concepts to current issues in macroeconomics.
      * Enable students to improve their mathematical and statistical skills, and apply these skills appropriately and accurately in an economic context.
      * Provide a foundation for those students who may choose to continue studies beyond the 200-level in macroeconomics.

**Intellectual Practical and Transferable Skills:**

Upon completing this course students will be able to:

* + - * Work with abstract concepts and in a context of generality.
      * Reason logically and work analytically.
      * Understand the context in which a problem is to be addressed.
      * Select and apply appropriate techniques to solve problems.
      * Justify conclusions using economic arguments with appropriate tools.
      * Apply mathematical, statistical and graphical techniques in an appropriate manner.
      * Communicate effectively and clearly in written and oral formats.

**Teaching and Learning Pattern:**

This course will be taught for a total of 45 hours [i.e. three (3) contact hours per week]. Teaching and learning in this course will be through among others, team-teaching; problem-based approaches; student-centered learning; lectures; in class exercises; own readings; take-home assignments and group exercises.

**Indicative Content:**

Introduction; Basic Concepts[The nature of macroeconomics; measurement and structure of the economy; & Long-run economic performance]; Aggregate Consumption and Saving **[**Consumption and saving; inter-temporal choice]; Investment and Employment **[**The aggregate production function; the demand for and supply of labour; the demand for and supply of capital]; Long-Run Economic Growth[The sources of growth; the Solow growth model; evidence on the determinants of growth]; Macroeconomic Analysis of the Short Run **[**Money, its functions and the money supply; money demand and asset market equilibrium; money growth and inflation; fiscal and monetary policy within the IS−LM model; aggregate demand and aggregate supply];Classical Business Cycle Analysis **[**Real business cycle, money and misperception theory in the classical model]; Keynesian Business Cycle Analysis [Wage rigidity, price stickiness and business cycle in the Keynesian model]; Unemployment and Inflation [The Phillips curve and the augmented Phillips curve; the problems associated with: unemployment, inflation]; Exchange Rates and Macroeconomic Policy in the Open Economy [Exchange rates and their determination; the IS-LM model for an open economy and macroeconomic policy with flexible and fixed exchange rates]; The Central Bank and Monetary Policy

**Assessment Method**

The assessment method is structured to include coursework and final examination. Coursework consists of assignments, presentations and tests.

Each course in the programme shall be assessed on the basis of course work and final examination represented as follows:

Course work assessment 30%

Final Examination 70%

100%

The minimum cumulative mark required to pass is 50%, is required to pass this unit. This includes course work and final examination. Each course in the programme is allowed a maximum of three hours for final examination.

**Indicative Sources:**

1. Sachs, J. D and Larrian, F.B (1993), Macroeconomics in the Global Economy: Harvester, Wheatsheaf, New Jersey.
2. Dornbusch, R and Stanley Fisher, (1994), Macroeconomic: 6th Edition, McGraw-Hill International Editions, New York.
3. Levacic, R. and Rebmann, A (1982), Macroeconomics; An Introduction to Keynesian – Neo-Classical Controversies: Macmillan Education LTD, London.
4. Dernburg, T.F. (1985). Macroeconomics: Concepts, theories and policies*,* 7th Edition, New York: McGraw-Hill International Editions.
5. Froyen, R.T. (2002). Macroeconomics: Theories and policies*,* 7th Edition. Upper Saddle River: Prentice Hall.
6. Miller, R.L. and VanHoose, D (2004), Macroeconomics: Theories, policies, and international applications,(3rd Edition.). Cincinnati: South-Western College Publishing.
7. Mankiw Gregory, N (2007), Macroeconomics: 5th Edition, New York: Worth Publishers.