



Course information 2017–18

EC2065 Macroeconomics

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.

Prerequisite

If taken as part of a BSc degree, courses which must be passed before this course may be attempted:

EC1002 Introduction to economics and either
MT105a Mathematics 1 or
MT1174 Calculus

Aims and objectives

The aims of the course are to:

- 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.

Assessment

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

Learning outcomes

At the end of this 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.

Essential reading

For full details please refer to the reading list.

Blanchard, O. *Macroeconomics*. (Prentice Hall)
Dornbusch, R., S. Fischer and R. Startz
Macroeconomics. (McGraw-Hill)

Mankiw, N.G. *Macroeconomics*. (Worth)

Students should consult the appropriate *EMFSS Programme Regulations*, which are reviewed on an annual basis. The *Regulations* provide information on the availability of a course, where it can be placed on your programme's structure, and details of co-requisites and prerequisites.

Syllabus

This is a description of the material to be examined. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading

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.