Economics - II
(Semester 3)

Macroeconomics

Course Description and Objectives

The course is dedicated to classical macroeconomic theory, which describes the economy in the long run. The economy in the short run (business cycle theory) will be the focus of the second semester of the Macroeconomics sequence. The course assumes a basic knowledge of microeconomics, such as the theory of the consumer, producer theory, and the foundations of mathematical analysis. The course is divided into two main parts: In the first part, we will master the basic concepts of macroeconomics, and then study the determination of national income, the workings of the monetary system, causes and consequences of inflation and the reasons behind unemployment. We will conclude the first part of our course by studying the international flows of capital and goods and how exchange rates are determined.

The second part of the course will be largely devoted to understanding the process of long-run economic growth, which determines the trend over time in income per capita around which short-run fluctuations occur. In order to understand the theory behind optimizing agents/households in the models of economic growth and better appreciate how investment decisions by firms are made, during our study of the growth process, we will briefly review also the theories behind consumer behavior and investment. At the end of the semester, the student will have acquired a fundamental knowledge of all the major themes of modern macroeconomic equilibrium theory in the long-run

Scope & Objectives

This introductory course provides students with a basic understanding of fundamental (macro) economic theories. The course is concerned with the definition and the theory of determination of national income, employment, business fluctuations, and price level. It also introduces students to the functions of money in a fractional-reserve banking system. The concepts of economic "circular flow”, national income accounting, unemployment, inflation, government taxation and spending and money will be defined, explained and discussed. Finally instruments, functioning and effectiveness of both monetary and fiscal policy aimed to stabilize prices and maintain high levels of output and employment are discussed in the current macroeconomic context of major world economies.

Course Content

Unit 1	National Income
Unit 2	Aggregated Demand
Unit 3	Aggregated Supply
Unit 4	Saving
Unit 5	Inflation / Deflation
Unit 6	Economic Growth
Unit 7	Unemployment
Unit 8	Trade Cycle
Unit 9	International Trade
Unit 10	Fiscal / Monetary Policy

Learning Outcomes

On completion of this course, students should have:

- improved their mastery of economic and business related concepts;
- performed graphical and quantitative treatment of the theories;
- made relevant connections between theory and real world examples, through references to media material, readings or case studies; and,
- found an increased interest to read economic and business related materials in the media.

Recommended Textbook

Required reading: The main text for the course is Macroeconomics, 8th edition by N. Gregory Mankiw (M). Each student should have a copy of this textbook.

Assessment Summary

Weekly Tutorial Assignments	10%
Weekly Online Quizzes	10%
Lecture Demonstration	15%
Mid-Term	25%
Final Exam	40%