



University of
Leicester

Department of Economics

EC1001

Macroeconomics

MODULE INFORMATION

Academic Year:	2011-2012	Lectures:	20
Year:	1	Classes:	9
Credits:	20	Private Study:	121
Semester:	2	Total Hours:	150

Module Website: www.le.ac.uk/economics/teach/ec1001/ec1001.html

MODULE LECTURER

Lecturer: Prof. James Mitchell

Room: Astley Clarke 107 **Telephone:** (252) 2884 **Email:** jm463@le.ac.uk

Office Hours: Thursday 9.30am – 11.30am

MODULE AIMS

Main Purpose:

The module aims to develop students' understanding of macroeconomic issues, such as economic growth, monetary and fiscal policy, inflation and unemployment. The emphasis is on providing a structure in which one can think about and understand the macro-economy rather than presenting a series of facts. This will be achieved through the use of models, which help us simplify analysis and focus on the 'essentials' when trying to understand the complex interactions that exist between the various parts or markets of an economy.

At the end of this module the successful student should be able to:

1. Describe a basic framework in which macroeconomists can think about the economy, beginning with the definition and measurement of key macroeconomic aggregates, including GDP, GNP, unemployment and inflation.
2. Describe, discuss and analyse, using specific examples:
 - (i) the long-run flexible price (full employment) model
 - (ii) its links with competitive product and factor markets
 - (iii) the role of money
 - (iv) the concept of inflation and
 - (v) the importance of the open economy to the workings of the basic model.
3. Discuss the framework in which most economists think about the sources of economic growth and the important factors which determine the (very) long run position of an economy.
4. Explain short-run fluctuations in economic activity around the long-run trend. This will involve the use of both IS-LM and AD-AS models.
5. Explain how policymakers can use monetary and/or fiscal policy to affect the macro-economy; and understand why policymakers who control aggregate demand face a trade-off between inflation and unemployment in the short-run but not the long-run.
6. Understand the causes of the recent and on-going financial crisis and consider its implications for macroeconomics.
7. Discuss the costs and benefits of currency unions.
8. Understand how to obtain and use macroeconomic data.
9. Make use of information technology to prepare your work and access economics resources on the Internet. Useful websites and web links are:

www.ft.com

www.bankofengland.co.uk

www.hm-treasury.gov.uk
www.statistics.gov.uk
www.imf.org
www.worldbank.org

Expected Learning Outcomes:

1. An understanding of the foundations of the behaviour of the national economy and the public policies which affect it.
2. Knowledge of the concept of national accounting, GDP, inflation, unemployment, balance of payments, growth.
3. Knowledge of basic monetary and fiscal policy tools available to governments authorities, the contexts in which they might be deployed and their likely consequences.
4. Understanding of specific topics linking agents microeconomic behaviour with macroeconomic aggregates, such as income distribution, and the labour market.
5. The ability to apply verbal reasoning, and diagrammatic analysis, and of some elements of elementary algebra and elementary calculus, to making deductions in simple economic contexts.
6. The development of essay, report-writing and presentational skills via assignments and tutorials.
7. The ability to undertake unsupervised independent work to a fixed deadline.
8. Experience of collaborative group-working in class work.

All of these outcomes are important in providing a foundation for fulfilling the academic objectives of the Economics and Business Economics degrees. Outcomes 5-8 involve the development of valuable transferable skills that subsequent years of the degree will build upon and which will be of general use in a professional context after graduation.

MODULE DELIVERY

Lectures: Thursday: 12:00-13:00
 Friday: 17:00-18:00

Please check the module website regularly as there may be changes at short-notice.

Classes:

All students are required to attend a weekly class in macroeconomics. **Attendance at classes is obligatory.** Any failure to attend classes will be followed up by tutors and could lead to disciplinary action being taken. If you are likely to be absent from any class, for whatever reason, you are advised to discuss this with your tutor, preferably before the class; or as soon as possible after it has taken place, if it is not possible to see your tutor beforehand. If you are ill, as soon as possible you should let your tutor know either by e-mail or by leaving a note for him/her in the posting box in the reception area. If your illness extends for more than one week you should submit a medical certificate to Reception.

Arrangements for classes are posted on the notice board in the AC Building. A list of office hours of each tutor is also shown there. Queries and problems about these arrangements should be addressed to the Year 1 secretary through reception.

Department of Economics student record system:

Attendance at classes is monitored and recorded in the Department's record system, together with marks for coursework. This information may be used in references written for you by members of the academic staff of the Department.

Advice on private study:

This is a basic course that will constitute an important foundation for much subsequent economic learning. You are warmly advised to attend the lectures, to read the relevant chapters of the textbook beforehand, and to go through the "questions for review" and "problems and applications" sections of the book after the lectures. The lectures will not necessarily follow the textbook closely; the combination of the two should be more effective than any one alone.

If in doubt, ask your tutor during classes, tutorials and office hours; ask the lecturer during the lectures. If you don't understand a point, chances are many of your colleagues won't have understood it either, and you will be doing everybody a favour by pointing this out.

ASSESSMENT

The module is worth 20 credits towards your first year assessment. It will be assessed by means of:

- (i) A two hour written midsummer examination. Constitutes 80% of the overall mark (i.e. 16 credits)
- (ii) Coursework. Constitutes 20% of the overall mark (i.e. 4 credits)

The examination (80% of overall mark)

The examination will be a mixture of multiple choice questions and a short assignment (essay). It will be identical in format to last year's exam; although three fewer questions will be asked in Section A (see below) as a tougher penalty for answering randomly is going to be imposed. The format of the examination will be the following:

Two Sections

Section A – Multiple Choice (30 questions). Approximately 2/3 of the total mark.

Section B – Short assignment (choose one out of four proposed questions). Approximately 1/3 of the total mark.

Section A - In each multiple choice question, there are four possible answers. You will be credited **2.5 marks** for each right answer, - **1.5 marks** (this is a negative number) for each wrong answer, and **0 mark** if no answer is given. This implies that if you are uncertain between only two answers, then you should randomise; but if you are uncertain between three or four answers, then you are better off not answering.

Section B – This is a short assignment/essay: maximum **30 marks**

Note: Although, in principle, you could get 75 marks for Section A and 30 marks for Section B, the total mark is capped at 100

In each Section, the **type** of questions and the **material covered** will be similar to last year's examination. The questions will be set assuming that lectures have been attended.

The coursework (20% of overall mark)

This will involve writing an essay of not more than 1500 words (limits are strict and a 0 mark will be returned if the limit is not observed). This amounts to about 3 pages in Times New Roman, single spaced at font size 12. Graphs are not included in this limit.

Type your essay; and write at the top of each sheet your **ID (not your name)**, as marking will be anonymous).

The title of the essay will be announced in lectures, in class and on the module website at least two weeks in advance.

This assessed essay must be handed into the Reception Office at the Department of Economics by Thursday 29th March at 3:00 pm. At reception, students must fill in an "Assessment Cover Sheet" blue form. All coursework must be handed to the reception and not to the tutors or lecturer. Students will then be given a copy of the Assessment Cover Sheet as proof of receipt of their work at reception.

ASSIGNMENTS AND DEADLINES

In addition, and in preparation for the examination and the assessed coursework, students must complete ahead of the appropriate class:

1. eight weekly assignments;
2. one short essay.

The questions will be posted on the module website one or two weeks in advance.

The eight **weekly assignments** will take the form of multiple choice exercises and question sheets (the multiple choice questions are of the form seen in Section A of the examination; and the question sheets are of the form seen in Section B of the examination). Students must answer all of the questions before the relevant class in their own preparation time. Answers to the eight weekly assignments should not be handed into reception or to your tutor; but students should arrive at the class both expecting and willing to be asked for their answers.

While question sheets and exercise assignments will not be marked by the tutor, they will assign a mark to your participation and involvement in the class discussion.

The **short essay** should be handed into the Reception Office, according to the deadline on the module website, which will also be announced in Lectures and Classes. This short essay must be typed and should not be longer than 1000 words (limits are strict); this is about 2 pages in Times New Roman, single spaced in font size 12. The ability to write succinctly is an important skill; and this essay will help you learn how to distil your ideas into a small number of key points. It is also useful preparation for the assessed (coursework) essay (see above), which you will need to complete later in this semester.

Your tutors will return your marked short essay to you in a later class.

TIMETABLE

Check the **Module Web Page** regularly as there might be changes in the initial timetable.

In general the correspondence between lectures and chapters will not be exact. This is not going to be a problem.

READING LIST

Core Textbooks:

(1) The set textbook for Macroeconomics is:

N. Gregory Mankiw and Mark P. Taylor, **Economics (Second Edition)**, 2011, South-Western Cengage Learning. ISBN-13: 9781844808700 / ISBN-10: 184480870X

Website: <http://edu.cengage.co.uk/catalogue/product.aspx?isbn=184480870X>.

This is the only textbook which will be referred to in the lectures and classes. Nevertheless, its structure and content is pretty standard, and anyone wishing to use a different textbook will not find the examination questions impossible. This is the European version of the US based textbook, with an up-to-date discussion of the recent global financial crisis.

The EC1001 course will cover chapters 12, 19-20 and 23-39 of the book. The same textbook was used for Microeconomics (EC1000).

The book comes with substantial web based supplementary material designed to help students; see http://cws.cengage.co.uk/mankiw_taylor2/students/stu_title.htm.

CALCULATOR

No calculator is needed for this course. But if you do want to buy a calculator, the Department recommends that you buy a **Casio FX 82 or FX83** calculator. Note that it is the only calculator that you can use in University examinations.

WHERE TO GO FOR HELP

Questions about course content should be raised in tutorials or at your tutor's office hour. In addition there is a **staff-student committee**, which meets twice during the term and at which general issues in relation to the course can be raised. Students who wish to raise general issues at the committee are encouraged to consult their representatives.

MODULE CONTENTS

Lecture 1. GDP. Mankiw & Taylor: Chapter 23

Lecture 2. Prices. Mankiw & Taylor: Chapter 24

Lecture 3. Growth. Mankiw & Taylor: Chapter 25

- Lecture 4. Savings and investment.** Mankiw & Taylor: Chapter 26
- Lecture 5. Finance.** Mankiw & Taylor: Chapter 27
- Lecture 6. Unemployment.** Mankiw & Taylor: Chapter 28
- Lecture 7. Inequality.** Mankiw & Taylor: Chapter 20 (drawing on Chapter 19 too)
- Lecture 8. Taxation.** Mankiw & Taylor: Chapter 12
- Lecture 9. Money.** Mankiw & Taylor: Chapter 29
- Lecture 10. Inflation.** Mankiw & Taylor: Chapter 30
- Lecture 11. Open economy I.** Mankiw & Taylor: Chapter 31
- Lecture 12. Open economy II.** Mankiw & Taylor: Chapter 32
- Lecture 13. IS-LM.** Mankiw & Taylor: Chapter 33
- Lecture 14. AD-AS.** Mankiw & Taylor: Chapter 34
- Lecture 15. Monetary and fiscal policy.** Mankiw & Taylor: Chapter 35
- Lecture 16. The Phillips Curve.** Mankiw & Taylor: Chapter 36
- Lecture 17. The 2008- financial crisis.** Mankiw & Taylor: Chapter 37
- Lecture 18. The Euro.** Mankiw & Taylor: Chapter 38
- Lecture 19. Macroeconomic debates.** Mankiw & Taylor: Chapter 39
- Lecture 20. Revision**

MOCK EXAM

Past examination papers can be found on the module website.