

Unit Guide: EC201 Macroeconomic Theory  
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ELBS – Economics

**EC201 MACROECONOMIC THEORY - Semester B 2003/4 Unit Guide**

**Unit Lecturer and Tutor**

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**Teaching Arrangements**

Lecture	Mon	3 - 5	N252	D Boyd
Seminar 1	Mon	12 – 1	A2075	D Boyd
2	Mon	1 – 2	A1103	D Boyd

**Learning Outcomes**

At the end of this unit students should be able to:

1. Explain the major theories of modern macroeconomics and how they fit together to explain short-run and long-run impacts.
2. Explain and contrast the policy impact of different policy measures.
3. Evaluate policy implications.

**Assessment**

Assessment will take the form of an end-of-course examination (weighting 70%) and an assignment (weighting 30%). There will be a mid-semester test/coursework – the details and date of which will be advised in the lectures and tutorials.

**Assessment Criteria**

**Knowledge and understanding** You should show evidence of being well acquainted with the ideas you are discussing. Check that your comments accurate and free of confusion. Ensure that you show an adequate depth of understanding in what you have written. It is desirable that what you have written indicate that you appreciate relevant connections with wider aspects of economic theory.

**Reasoning** You should answer the question set by presenting sound arguments that are clearly developed from theoretical assumptions, models and evidence. Your reasoning should be persuasive and convincing.

**Relevance and Structure** Answer the question set and not some other question you happen to have revised. Focus on the question and avoid bringing in extraneous material. You should reach clearly identifiable conclusions that relate to the issue(s) the question raises.

**Evaluation** When the question calls for it you answer should appraise issues and offer sensible judgements in relation to them. Your evaluation should be well reasoned, taking into account possible objections.

**Presentation** your work should be presented in an orderly and businesslike way that would be expected of an educated person doing a professional job.

**Study Texts and Sources**

The main text is **N. Gregory Mankiw, *Macroeconomics 5/e*, Worth Publisher**

Other useful texts are:

John Sloman, *Economics*, Prentice Hall.

Rudiger Dornbusch and Stanley Fischer, *Macroeconomics*, McGraw-Hill.

Oliver Blanchard, *Macroeconomics*, Prentice Hall.

**Lecture Notes (very important!)**

The lecture notes handed out at the lectures, tutorials and available on my website must be used in conjunction with the text book. Although they are a good guide to the understanding of various topics, they are not by themselves designed to comprehensively cover the topics. They are to be used as a guide to the topics that will be covered in the unit and aids to getting to grips with the material but they are not adequate to the task of fully conveying the information required to learning the various topics – this requires, to repeat, the use of the textbook.

### Seminars - What are you required to do for preparation?

Each week's seminar will focus on reviewing the set of questions that is to be found at the end of the preceding week's lecture notes. You are expected to prepare answers to *all* of the questions in time for the seminar.

You should *aim* to have 'correct' solutions to all questions that you can present at the seminar. However, 'right' answers are not essential. So long as you can suggest answers that you have thought about (and are not just 'off the top of your head'), that will be a perfectly satisfactory basis for discussion. Even if you can't work out an answer to a particular question, you can still pinpoint and talk about the difficulties you encountered. That way everyone who has genuinely made an effort to prepare will have *something* to say.

The emphasis in seminars will be on students talking about the work they have done. You are therefore expected to make your own notes when you are doing your preparation, so that you can refer to them during the seminar.

### Lecture Topics and Readings

Week(s) Topic and Reading

All the main readings are taken from **N. Gregory Mankiw, *Macroeconomics 5/e*, Worth Publishers**. You should, however, look at equivalent material in other macroeconomic texts that are readily found in the library – then you can begin to appreciate just how good Mankiw's book is and, to be fair, how good other texts can be in explaining the same material in different ways. This is both a desirable and a rewarding experience.

- 1        *Classical Theory – The Economy In The Long Run, Chapter 3, National Income: Where It Comes From and Where It Goes: Production Function, Marginal Theory of Distribution, Loanable Funds Theory of Interest Rate Determination*
- 2        *Classical Theory – The Economy In The Long Run (Contd.), Chapter 4, Money and Inflation,: Quantity Theory of Money, Money Demand Function, Fisher Interest Rate Effect, Inflation.*
- 3        *Classical Theory – The Open Economy In The Long Run (Contd.), Chapter 5, The Open Economy: The International Flow of Goods and Services, Savings and Investment in a Small Open Economy, Exchange Rates.*
- 4        *Business Cycle Theory: The Economy In The Short Run, Chapter 9, Introduction to Economic Fluctuations: Time Horizons in Macroeconomics, The Derivation of the Aggregate Demand and the Quantity Theory of Money, The Aggregate Supply – Classical Model with 'stuck' prices (extreme case), Stabilisation Policy.*
- 5        *Business Cycle Theory: The Economy In The Short Run, Chapter 10, Aggregate Demand I – IS/LM: The Goods Market and the IS Curve, the Money Market and the LM Curve.*
- 6        *Business Cycle Theory: The Economy In The Short Run, Chapter 11, Chapter 11, Aggregate Demand II: IS-LM as a Theory of Aggregate Demand*

This list is incomplete the additions will be presented in the lectures and tutorials.