

**DEREE COLLEGE SYLLABUS FOR: EC 3471 MACROECONOMIC THEORY AND POLICY**

(Previously EC3271)  
(Updated Spring 2023)

**UK LEVEL: 5**  
**UK CREDITS: 15**  
**US CREDITS: 3/0/3**

**PREREQUISITES:**

EC 1000 Principles of Microeconomics  
EC 1101 Principles of Macroeconomics  
MA 1008 College Algebra  
MA 2105 Applied Calculus

**CATALOG DESCRIPTION:**

Measurement and analysis of national income. The basic goods market macroeconomic model. The role of money. The IS-LM and AD-AS model. Fiscal and monetary policies. Unemployment. Financial Crisis.

**RATIONALE:**

This course is a natural extension of an introduction to macroeconomic principles. It is the prerequisite for more advanced and specialized topics in economics. It is intended for students majoring in economics, prospective graduate students, and business students, as it provides indispensable information about the workings, the trade-offs and challenges of the economy in which businesses operate. This course gives students the opportunity to recognize the applicability of macroeconomic theories and test the validity of such theories by evaluating different theoretical and practical perspectives.

**LEARNING OUTCOMES:**

As a result of taking this course, the student should be able to:

1. Analyze the operation of the goods and the money markets.
2. Use the basic IS-LM model to explain how the economy works and analyze the workings and the effectiveness of fiscal and monetary policies using the model.
3. Demonstrate detailed knowledge of the causes of unemployment and evaluate policies intended to remedy the problem.
4. Demonstrate knowledge of the causes of financial crises and the pertinent policy reaction by economic authorities.

**METHOD OF TEACHING AND LEARNING:**

In congruence with the learning and teaching strategy of the college, the following tools are used:

- Lectures, class discussions, and review of cases taken from the real world and applicable to specific theoretical concepts. In-class problem solution and occasional class discussions of recent articles in economic journals assigned by the instructor.
- Office Hours: Students are encouraged to make full use of the office hours of their instructor, where they can ask questions and go over lecture material.
- Use of Blackboard, where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.

**ASSESSMENT:**

**Summative:**

	<table border="1" data-bbox="488 205 1279 380"> <tr> <td data-bbox="488 205 1091 275">1<sup>st</sup> assessment: In-class written examination (One-hour, closed book, essays/problems)</td> <td data-bbox="1091 205 1279 275"><b>40%</b></td> </tr> <tr> <td data-bbox="488 275 1091 380">Final assessment: In-class written examination (Two-hour, closed book, essays/problems, comprehensive)</td> <td data-bbox="1091 275 1279 380"><b>60%</b></td> </tr> </table> <p data-bbox="488 415 639 443"><b>Formative:</b></p> <table border="1" data-bbox="488 443 1279 485"> <tr> <td data-bbox="488 443 1091 485">Problem sets and questions</td> <td data-bbox="1091 443 1279 485"><b>0%</b></td> </tr> </table> <p data-bbox="488 520 1503 583">The formative assessment aims to prepare students for the examinations and ensures that students are actively engaged during the term.</p> <p data-bbox="488 619 1503 716">The 1<sup>st</sup> assessment tests Learning Outcomes 1 and 2. The final assessment tests Learning Outcomes 1, 2, 3 and 4, with emphasis on 3 and 4.</p> <p data-bbox="488 751 1503 919">The final grade for this module will be determined by averaging all summative assessment grades, based on the predetermined weights for each assessment. If students pass the comprehensive assessment that tests all Learning Outcomes for this module and the average grade for the module is 40 or higher, students are not required to resit any failed assessments.</p>	1 <sup>st</sup> assessment: In-class written examination (One-hour, closed book, essays/problems)	<b>40%</b>	Final assessment: In-class written examination (Two-hour, closed book, essays/problems, comprehensive)	<b>60%</b>	Problem sets and questions	<b>0%</b>
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Final assessment: In-class written examination (Two-hour, closed book, essays/problems, comprehensive)	<b>60%</b>						
Problem sets and questions	<b>0%</b>						
<p data-bbox="142 951 313 1014"><b>INDICATIVE READING:</b></p>	<p data-bbox="488 951 797 978"><b>REQUIRED READING:</b></p> <p data-bbox="488 1020 1138 1052">Mankiw G., Macroeconomics, Worth, latest edition</p> <p data-bbox="488 1087 878 1115"><b>RECOMMENDED READING:</b></p> <p data-bbox="488 1157 1503 1220">Dornbusch R., Fischer S., Startz R.; Macroeconomics; McGraw-Hill, latest edition.</p> <p data-bbox="488 1255 1503 1318">“Grossly Distorted Picture,” The Economist, Mar 13, 2008 (<a href="http://www.economist.com/node/10852462">http://www.economist.com/node/10852462</a>).</p> <p data-bbox="488 1354 1377 1417">I told you so. Obama right and Europe wrong about way out of Great Recession. The Guardian, November 1, 2018.</p> <p data-bbox="488 1453 1479 1484">“Assessing Quantitative Easing: Muzzled,” The Economist, August 13, 2009.</p> <p data-bbox="488 1520 1451 1604">“No Short Cuts,” The Economist, Oct 27, 2012 (<a href="http://www.economist.com/news/finance-and-economics/21565150-short-term-austerity-aftermath-severe-crisismay-prove-more-painful">http://www.economist.com/news/finance-and-economics/21565150-short-term-austerity-aftermath-severe-crisismay-prove-more-painful</a>).</p> <p data-bbox="488 1640 1435 1703">“The argument in the floor: Evidence is mounting that moderate minimum wages can do more good than harm”. The Economist, Nov. 24<sup>th</sup>, 2012.</p> <p data-bbox="488 1738 1435 1801">“The Dynamic Approach to Europe’s Unemployment Problem”, European Commission, 2007.</p>						

	“The Origins of the Financial Crisis: Crash Course”. The Economist, Sept. 7 <sup>th</sup> , 2013.
<b>INDICATIVE MATERIAL:</b> <i>(e.g. audiovisual, digital material, etc.)</i>	<b>REQUIRED MATERIAL:</b> N/A <b>RECOMMENDED MATERIAL:</b> N/A
<b>COMMUNICATION REQUIREMENTS:</b>	Use of appropriate academic conventions as applicable in oral and written communications.
<b>SOFTWARE REQUIREMENTS:</b>	Word, Excel
<b>WWW RESOURCES:</b>	<a href="http://www.ft.com">www.ft.com</a> (Financial Times) <a href="http://www.economist.com">www.economist.com</a> (Economist) <a href="http://www.ecb.int">www.ecb.int</a> (European Central Bank) <a href="http://www.imf.org">www.imf.org</a> (International Monetary Fund)
<b>INDICATIVE CONTENT:</b>	<ol style="list-style-type: none"> <li>1. Measuring Macroeconomic Performance <ol style="list-style-type: none"> <li>a. Basic Macroeconomic Concepts</li> <li>b. Production and Income Distribution</li> </ol> </li> <li>2. Basic Macroeconomic Theory <ol style="list-style-type: none"> <li>a. Income and Spending: The Goods Market</li> <li>b. Financial Markets: Money Demand and Supply</li> <li>c. The IS-LM model</li> <li>d. Putting all Markets Together: The AD and AS Model</li> </ol> </li> <li>3. Basic Macroeconomic Policy in a Closed Economy <ol style="list-style-type: none"> <li>a. Fiscal and Monetary policy</li> <li>b. Effectiveness of macroeconomic policy: Fiscal and monetary policy multipliers</li> </ol> </li> <li>4. Economic Pathologies <ol style="list-style-type: none"> <li>a. Unemployment</li> <li>b. Financial Crisis</li> </ol> </li> </ol>