

Unit Guide

Unit Title	The Macroeconomic Environment
Level	Two
Reference No. (showing level)	MEC-2-209
Credit Value	15 CAT points
Student Study Hours	Contact hours: 45 Student managed learning hours: 105
Pre-requisite learning	Level 1 Economics Unit
Co-requisites	None
Excluded combinations	None
Unit co-ordinator	Dr Peter James Luke
Faculty/Department	BCIM/Business and International Studies
Short Description	This unit examines macroeconomics, and attempts to set it in a business and policy perspective. It is designed to enable students to understand the macroeconomic forces that operate in the economy. It allows students to analyse these forces using a number of techniques and theories available to them. The course is aimed at second year students who require a developing knowledge of economic theory and the techniques and practices used by policy makers. It provides a keystone for subsequent study in the third year of economics and other related disciplines of business. Students are encouraged to increasingly research their own sources of data and evidence to support the growing complexity in economic analysis at level 2.
Aims	<p>The aim of this unit is to provide students with a knowledge and understanding of the macroeconomic environment confronting business with specific reference to the United Kingdom. The unit builds on the Business Economics unit studied at level one to provide students with an awareness of the wider fiscal and monetary environment within which firms operate. The unit will also prepare students wishing to choose the Economics of International Business or Finance pathways at level three with the necessary theoretical and policy foundation for the study of more advanced units.</p> <p>The unit will pay particular attention to the way in which macro-economic policy impacts on business. An added concern of this unit will be the relationship between economic activity in the UK and that of the wider global economy, with specific reference to the European Union. The unit aims to equip students with sufficient knowledge and understanding of basic macro-economic principles to follow and understand economic affairs.</p> <p>Successful completion of this unit is a pre-requisite for joining the Economics of International Business or Finance pathways at Level Three.</p>
Learning Outcomes	<p>Knowledge and Understanding:</p> <p>Explain the main determinants of the level of economic activity in the UK and the causes of cyclical fluctuations in the level of economic activity. Describe the activities of different kinds of financial institutions in the UK economy and explain the role played by the financial system in the channelling of funds from savers to investors. Explain the role played by the monetary sector of the economy in the determination of the price level</p>

	<p>and the impact of changes in monetary conditions on businesses operating in the UK. Explain how changes in UK fiscal policy affect the level of economic activity, including the rate of unemployment and the exchange rate. Explain the structure and content of the UK's external accounts and the determinants of the UK exchange rate</p> <p>Intellectual Skills: Define basic macroeconomic concepts, explain how they are measured and understand the framework of national income accounting in the UK. Identify assumptions and implicit values especially in relation to economic model building. Evaluate statements in terms of evidence through the coursework essay. Integrate theoretical knowledge to analyse business problems, policies and decisions through the coursework essay. Apply theoretical knowledge to solve business problems and generate recommendations through the coursework essay.</p> <p>Practical Skills: Enhance communication skills by encouraging discussion and debate in seminars and through assessments.</p> <p>Transferable Skills: Develop numeracy skills through the necessary calculations and measurements implicit in a clear understanding and working of economic models, concepts and theories. To work independently and to become more capable independent learners by using a range of teaching materials</p>
Employability	<p>On completion of this unit students should have an operational level knowledge of the main principles, approaches, conventions and practices of macroeconomics within a determined context, so that they will be able to apply them within real-world problems and situations of the same or an associated context. In being able to do so, students are likely to enhance their overall employment potential and/or their ability to undertake practical research in this field and have a good understanding of current macro issues with a view to commencing a context related employment or self-employment.</p>
Teaching and learning pattern	<p>One two-hour lecture and one two-hour seminar</p>
Indicative content	<p>Lecture 1 – Introduction. Schools of Thought in Macroeconomics.</p> <p>Learning Objectives: Introduction to the course. What is macroeconomics? Overview of the most important schools of thought in macroeconomics and the differences between them.</p> <p>Lecture 2 – The Circular Flow of Income. .Measuring Income Flows: The National Accounts.</p> <p>Learning Objectives: The Circular Flow of Income. Definition and measures of national income. Uses and limitations of national income statistics.</p> <p>Lecture 3 – Consumption, Saving and Investment. Macroeconomic Identities.</p> <p>Learning objectives: An analysis of the main variables that affect the level of national income. Injections and leakages. Equilibrium income.</p>

	<p>Definition and analysis of the main theories of consumption, saving and investment.</p> <p>Lecture 4 – Aggregate Demand. Keynesian Demand Management Policies. The Multiplier. The Trade Cycle.</p> <p>Learning Objectives: The main objectives and instruments of government economic policy. The essentials of Keynesian economic analysis. The role of aggregate demand and its influence on the national income and employment. The significance of the multiplier in economic policy-making. The trade or business cycle.</p> <p>Lecture 5 – Money Demand. Money Supply. The Financial Sector: Role, Operations and Efficiency. Monetary and Fiscal Policy.</p> <p>Learning objectives: The history and functions of money. Theories of the demand for money. Money supply. The quantity theory of money. Measures of the money supply. The functions of the Bank of England. The commercial banking system. The money multiplier. Goals of monetary policy.</p> <p>Lecture 6- Aggregate Supply. The Labour Market. Explanations for Unemployment</p> <p>Learning Objectives: The new classical approach. The nature of supply side policies. Unemployment: The nature of the labour market. The equilibrium wage-rate. Causes and the nature of unemployment.</p> <p>Lecture 7 – Inflation: Explanations and Policies.</p> <p>Learning objectives: Definition and measurement of inflation. The consequences of inflation and why it is considered a serious problem. Different theories of the causes of inflation: demand-pull, cost-push and monetarist. Policies used to control inflation. Inflation and Unemployment.</p> <p>Lecture 8 – The International Economy. Patterns of Trade. Britain in the International Context.</p> <p>Learning Objectives: The different aspects of internationalisation and the general pattern of global trade. The pattern of UK trade. The theory of comparative advantage. The objections to unregulated free trade. The General Agreement on Tariffs and Trade and the World Trade Organisation. Trade and Development.</p>
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	<p>Lecture 9 – The Balance of Payments: Theory, Operation and Constraints. Exchange Rates. Fixed and Floating Exchange Rates.</p> <p>Learning Objectives: Structure and components of the balance of payments. Balance of payments deficits and surpluses. The analysis and nature of fixed and floating exchange rate policies. The operation of fixed and floating exchange rates in practice.</p> <p>Lecture 10 – European economic and monetary union. The euro.</p> <p>Learning objectives: EU economic policy making. The move towards European economic and monetary union. Development of the European monetary system. Impact of the euro and the UK position.</p> <p>Lecture 11 – Economic growth and Economic Development.</p> <p>Learning Objectives: Issues and problems raised by internationalisation. The ideas and debates around the desirability of economic growth as a target for development. Major aspects of the relations between “developed” and “developing” countries. International institutions. The debt crisis and structural adjustment</p> <p>Lecture 12 – Revision of the Course</p>
<p>Assessment <i>Elements & weightings</i></p>	<p>Coursework essay 1,200 words 40% End of unit exam 60%</p>
<p>Indicative Sources <i>(Reading lists)</i></p>	<p>G. Chamberlin and L. Yueh, <i>Macroeconomics</i>, London: Thomson 2006</p> <p>Begg D., Fischer S., and Dornbusch R., (eds), <i>Economics</i>, 8th edition, London: McGraw-Hill, 2005</p> <p>J. Sloman, <i>Economics</i>, 5th edition, Hemel Hempstead: Prentice Hall, 2003</p>