



United States International University

SEMESTER :
ECON 1020 : PRINCIPLES OF MACRO-ECONOMICS
COURSE SYLLABUS
DAY / TIME :
LECTURER :
CREDIT: 3 UNITS

COURSE DESCRIPTION

Introduction to the basic principles of income, employment, prices, and international trade

COURSE OBJECTIVES

- To acquire a first hand knowledge of the basic economic concepts.
- To develop the ability to identify the central core of the contribution of Principles of Macroeconomics concerned, as well as their limitations.
- To develop the ability to discern the ideological, theoretical, methodological and technical similarities and differences between the contributions that allow classification of them into different approaches.
- To discuss the implications of adopting different approaches to the study of Macro-Economics for the understanding the process of political economy in underdeveloped and developed regions and for the design of economic policies.
- To realize that the development/underdevelopment of every person (or nation) depends directly or indirectly on the development/underdevelopment of all persons (or nations).
- To understand the unique nature of the Third World's economic, social, political and educational problems and aspirations, as well as the direct and indirect linkages between these problems and aspirations and the economic, educational, political, and social well-being of peoples in developed nations in the first and second worlds.
- To understand and eventually apply important economic concepts when these are explained in the context of actual development problems.
- To foster student's ability to understand contemporary First World and Third World economic issues and to reach independent judgements and policy conclusions.

COURSE CONTENT

WEEK 1 & 2: THE NATURE AND SCOPE OF ECONOMICS

- Defining Economics.
- The importance of Economics
- Methodology
- Pitfalls to Objective Thinking
- The Economic Perspective
- Economics and Institutions: A Global Perspective
- Graphs and Their Meanings
- The Economizing Problem
- The Five Fundamental Questions of Economics that Every Society Must Answer.
- The Foundation of Economics.
- Economics and Efficiency

WEEK 3 & 4: MEASURING DOMESTIC OUTPUT, NATIONAL INCOME AND PRICE LEVEL

- The Importance of Macroeconomic Measurement
- Gross Domestic product.
- The Three Measures of National Income: The Expenditures, the Income and National Product Approaches.
- Other Social Accounts.
- Measuring the Price Level.
- Nominal and Real GDP.
- GDP and Social Welfare.
- The Problems of Aggregation.

WEEK 5: AGGREGATE DEMAND AND SUPPLY

- The Need for an Aggregate Model.
- Aggregate Demand.
- Aggregate Supply.
- Equilibrium: Real Output and the Price Level.
- Changes in Equilibrium.

WEEK 6: CLASSICAL AND KEYNESIAN THEORIES OF EMPLOYMENT AND INCOME DETERMINATION

- The Classical Theory of Employment.
- Keynesian Economics.
- Classics and Keynes: Ad-AS Restatement.
- Tools of Keynesian Employment Theory.
- Consumption and Saving.
- Investment.

WEEK 7: EQUILIBRIUM DOMESTIC OUTPUT IN THE KEYNESIAN MODEL

- Introduction.
- Expenditures - Output Approach.
- Leakages - Injections Approach.
- Planned Versus Actual Investment.
- Changes in Equilibrium GDP and the Multiplier.
- Equilibrium Versus Full-Employment GDP
- MID-QUARTER EXAMINATION

WEEK 8: MONEY AND BANKING

- Introduction.
- The Meaning and Functions of Money
- The Supply of Money
- What "Backs" the Money Supply
- The Demand for Money
- The Money Market
- Kenyan Financial System
- Bank and Thrift Failures
- Credit Creation

WEEK 9: CENTRAL BANK AND MONETARY POLICY

- Functions and Importance of Central Bank.
- Consolidated Balance sheet of the Central Bank.
- The Tools of Monetary Policy.
- Monetary Policy, Equilibrium GDP and the Price Level.
- Effectiveness of Monetary Policy.

WEEK 10 & 11: QUANTITY THEORY OF MONEY, MONEY AND REAL NATIONAL INCOME AND BUSINESS CYCLES

- Introduction.
- Irving Fisher's Version.
- The Cambridge Version.
- The Keynesian Theory of Money.
- The Modern Quantity Theory of Money.
- A Synthesis of the Real and the Monetary Sectors: The IS and LM Curves.
- General Equilibrium.
- The Keynesian and the Neo-classical Economics.
- Overview of the Business Cycle.
- Phases of the Business Cycle
- Causes of Business Cycle.
- Non-Cyclical Fluctuations.

WEEK 12: UNEMPLOYMENT AND INFLATION

- Definition of Unemployment.
- Types of Unemployment.
- Defining Full Employment.
- Measuring Unemployment.
- Costs of Unemployment.
- Definition and Effects of Inflation.
- Causes of Inflation.
- The Modern Debate.
- Alternative Policy Measure.
- Discretionary Fiscal Policy.
- Non-discretionary Fiscal Policy; Built-in Stabilizers.

WEEK 13: INTRODUCTION TO INTERNATIONAL TRADE AND ECONOMIC GROWTH AND DEVELOPMENT

- Meaning of International Trade
- Balance of Trade and Balance of Payments
- Theory of Absolute advantage and Comparative Advantage.
- The Balance of International payments and Exchange Rates.
- Trade Flows and Trade policy
- Economic growth
- Main Determinants of Economic Growth.
- Benefits and Costs of Economic Growth.
- Economic Development and Its Meaning.
- The Roles of International Trade and Aid in the Process of Development
- Revision of assignments. Quizzes, Mid-Quarter

WEEK 14: FINAL EXAMINATION

TEACHING METHODOLOGY

Lectures and class discussions
 Individual and group work
 Case analysis

COURSE TEXT

Hardwick, et al, *An Introduction to Modern Economics*, 4th E, (London: Longman Group Ltd., 1994.)

READINGS

McConnell, Campbell R., and Brue, Stanley L. *Economics: Principles, Problems and Policies*, 12 th Ed, (London: McGraw-Hill, Inc: 1993.)

Reynolds, L. G. *Macro-Economics: Analysis and Policy*, 4th Edition, (Homewood, Illinois Richard D. Irvin, Inc., 1982.)

Lipsey, Richard G., *Introduction to Positive Economics, Sixth Edition*, English Language Book Society, (Weidenfield, 1983.)

Samuelson Paul A., *Economics*, 11th Edition,(London: McGraw Hill International Book Co., 1989.)

Todaro, Michael P., *Economic Development in the Third World, Fourth Edition*, (New York: Longman1982.)

COURSE EVALUATION

Course requirements will include tests, quizzes, midterm and final examinations. The Course will be composed of:

Class attendance and Participation	10%
Continuous Assessment Tests	40%
Mid-term Examination	25%
Final Examination	25%
TOTAL MARKS	100%

GRADING SYSTEM

90 - 100	A
87 - 89	A-
84 - 86	B+
80 - 83	B
77 - 79	B-
74 - 76	C+
70 - 73	C
67 - 69	C-
64 - 66	D+
62 - 63	D
60 - 61	D-
59 AND BELOW	F