

Course Title: Macroeconomics Theory

Course Code: Econ 212

Credit Hours: 3hrs

ECTS: 5

Prerequisites: Econ 221

Teaching and Learning Methods:

Lecture method, Case studies, Individual and Group Assignments

Course Description

This course is designed to acquaint students with one of the two major branches of economics which deals with aggregates effects of all economic activities. The course focuses on system of measuring the general performance of an economy, National income accounting, consumption saving and income determination. Topics of equilibrium conditions in two, three, four sector models, monetary, fiscal and income policy tools of economic regulation; the relationship among product, money markets and interest rate will be covered. The course further includes the IS-LM model step by step which this is demonstrated by graphic illustrations and mathematical equations. Finally unemployment inflation and their courses; tradeoff between them and the contemporary ethics dealing with the Philips curve will be discussed.

Course Objective

After the completion of this course, students will:

- Be equipped with the most up to date knowledge of macroeconomics with the wealth of application
- Deeply understand the fundamental ideas of macroeconomic problems analyze them and based on their orientation to different macroeconomic policy tools they can minimize the discrepancy existing between actual and potential economic performances.

Course Contents

CHAPTER ONE: Introduction

- 1.1. Key concepts and definition
- 1.2. The subject matter, scope and objectives
- 1.3. History development of Macroeconomics

CHAPTER TWO: National Income Accounting

- 2.1. NIA, the concept
- 2.2. The difference between GNP and DGP
- 2.3. Measurement of GNP
- 2.4. Macro concepts of Income
- 2.5. Real and nominal GNP

CHAPTER THREE: The two Sector Model

- 3.1. The basic Keynesian Model: consumption and Investment
- 3.2. Consumption and saving function and derivations
- 3.3. Investment demand and investment cure
- 3.4. MPC, MPS, and the multiplies
- 3.5. The Keynesian cross and gap analysis
- 3.6. The paradox of thrift
- 3.7. Algebraic exercises

CHAPTER FOUR: Three and Four Sector Economy

4.1. Expanded macro model

4.2. Fiscal policy and the government budget

4.3. Derivations of equilibrium conditions in the three sector model

- The multiplier in three sector models
- Open macro model (four sector economy)
- Calculation of equilibrium conditions in four sector economy
- Balance of Payment
- Fiscal and monetary prices

CHAPTER FIVE: General Equilibrium of Product and Money Market

5.1. Equilibrium in the product market and derivation of the IS curve

5.2. Equilibrium in the money market and derivation of the LM curve

5.3. Equilibrium in the product and money market (IS -LM curves)

CHAPTER SIX: Economic Fluctuation

6.1 Inflation, types and causes

6.2 Anti-inflationary policies

6.3 Unemployment, types and causes

6.4 The relationship between inflation and unemployment, the Philips curve

6.5 Policy instruments to tackle the problems of inflation and unemployment

6.6 Inflation and unemployment the loss in Ethiopia

Evaluation Modalities

Continuous Assessment	50%
• Attendance.....	5%
• Tests.....	30%
• Individual Assignments.....	5%
• Team Assignments.....	10%
Final Exam.....	50%
Grand Total.....	100%

Texts and References

Texts

- Diviedia, D.N. (2001). Macroeconomics. New Delhi, Tata McGraw Hill
- Jhingan, M.L. (1997) Macroeconomics New Delhi Vikas Publishers

References

- Sapiro, E. (1999). Macroeconomic Analysis. New Delhi: Tata Publishers
- Dornbusch, R. Fischer, S. (1994). Macroeconomics USA: McGraw Hill
- Bulletins of National Bank of Ethiopia
- Jhingan, M.L. (1997) Macroeconomics Theory: New Delhi: Vikas Publishers