

# *University College of the Cayman Islands*

## **ASSOCIATE DEGREE SYLLABUS**

**COURSE NAME: PRINCIPLES OF MACROECONOMICS      COURSE #: ECO 222**

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### **COURSE DESCRIPTION**

This course looks at a range of macroeconomic issues and policies including determinants of unemployment, inflation, international trade, national income and gross domestic product. It will examine the use of fiscal and monetary policy in achieving macroeconomic objectives.

**Credits: 3**

**Prerequisite: NONE**

### **COURSE OBJECTIVES**

1. Students should demonstrate their analytical skills by being able to:
  - a) recognize and show the framework of an economic model.
  - b) present the framework in some analytical form.
  - c) analyze the consequences of exogenous and endogenous changes.
2. Student should demonstrate their understanding in relation to:
  - a) the main concepts and principles used in the economic frameworks used.
  - b) the assumptions underlying these frameworks.

### **COURSE CONTENT**

#### **I      AGGREGATION**

The problem of aggregation.

Value added.

NNP=Y identity

Depreciation

Capital formation in a closed economy without Government

## **II-III The Closed Economy**

National accounts of a closed economy  
Capital formation in a closed economy  
A closed economy with a Government  
A closed economy without a Government  
An alternative view of equilibrium

## **IV-V Money and Banking**

The role of money, real balances and the quantity theory of money  
The liquidity preference approach and the demand for money (liquid assets)  
Commercial banks and the supply of money (banks and the various multipliers)  
Central banks and monetary control; bonds and wealth; credit and wealth  
Equilibrium in the money market (LM)

## **VI-VII General Equilibrium and Policies**

The complete model; income determination for a given interest rate  
Interest rate determination for a given income  
The existence of equilibrium and the IS-LM model  
Monetary and Fiscal policy in a closed economy

## **IX-X The Open Economy**

Demand for exports and imports and their effect on aggregate demand  
The net-export function  
The balance of payments; foreign currency markets  
The difference in the impact on the system under different exchange rate regimes  
Income determination in an open economy and exchange rate policies when there are no capital movements; the effects of monetary and fiscal policies

## **XII- XIII Prices, Inflation and Unemployment**

Deriving aggregate demand (AD) in the price output plane  
The problems with deriving aggregate supply (AS)  
The problem with explaining stagflation; the Phillips curve and the theory of inflation  
The augmented Phillips curve and the role of expectations in explaining stagflation  
Price levels and unemployment

## **XIV Aggregate**

The Keynesian and Classical Aggregate Supply  
Determinant of the short run Aggregate Supply  
IS-LM and the Aggregate Supply

## **ASSESSMENT**

Assignments - 20%

Mid-Semester Examination	-	20%
Final Examination	-	60%
<b>Total</b>		<b>100%</b>

### **REQUIRED TEXT**

The following textbook(s) will be used for this course:

1. **Lipsey/Chrystal**, *Principles of Economics*, Causeway Press

### **REFERENCE TEXT**

**Fischer, Dornbusch**, *Economics*, McGraw-hill

**Lipsey, Chrystal**, *An Introduction to Positive Economics*, Oxford University Press