

ABSE204 - Macroeconomic Analysis

Course Title	Macroeconomic Analysis			
Course Code	ABSE 204			
Course Type	Business Elective			
Level	BSc (Level 1)			
Year / Semester	2 nd / Spring			
Teacher's Name	Dr Petia Tanova / Dr Bernard Musyck			
ECTS	6	Lectures / week	3	Laboratories/week
Course Purpose	<p>The course builds on the principles obtained in the previous module in Introduction to Macroeconomics. It aims to provide students with a basic understanding of monetary theory and economic growth, employment and unemployment, and the price level.</p> <p>The course aims to build a holistic macroeconomic vision, interpreting the concepts of growth, employment and unemployment, and the price level from the perspective of the three main economic problems.</p> <p>It provides students with a toolbag of basic analytical techniques to study macroeconomic policies and their constraints.</p> <p>A major objective of the course is to help students develop systematic, critical and independent thinking of today's macroeconomic problems and policies.</p>			
Learning Outcomes	<p>Upon the successful completion of this course, students will be able to:</p> <ol style="list-style-type: none"> 1. Understand the nature of money and its functions 2. Distinguish money aggregates and identify factors, determining money supply. 3. Apply the quantity of money equation to problem solving. 4. Analyze motives for holding money and derive the money demand. 5. Discuss factors, affecting money demand and the equilibrium in the money market. 6. Understand the nature, targets and constraints of monetary policy 7. Indicate the tools used by the Central Bank to influence the money supply and interest rates and assess their effectiveness. 8. Compare and contrast short run and long run periods from a macroeconomic perspective and construct the short run and long run aggregate supply curve. 9. Distinguish sources and factors of economic growth and analyze indicators of economic growth. 10. Define unemployment and distinguish between different types of unemployment. 11. Compare and contrast the rate of employment and the rate of unemployment and analyze policies to raise the employment rate and to affect the unemployment. 			

	<p>12. Define and measure inflation and relate it to the rate of unemployment.</p> <p>13. Compare and contrast different measures of inflation and apply them to problem solving.</p> <p>14. Build an ability to analyze macroeconomic policies and express their personal views on their outcomes and constraints.</p>		
Prerequisites	ABSE102	Co-requisites	None
Course Content	<p><i>I. Money and the functions of money</i></p> <p>Understand the nature and the evolution of money. Distinguish and contrast the forms of money. Analyze the functions of money based on theory and empirical evidence.</p> <p>Examine and discuss the liquidity and money aggregates.</p> <p>Acquire a basic understanding of money supply.</p> <p>Apply the quantity equation to problem solving.</p> <p><i>II. The demand for money</i></p> <p>Define money demand and distinguish motives for money demand. Analyze the impact of the interest rate on liquidity preference and build the money demand curve.</p> <p>Identify factors affecting money demand and relate the theory to the empirical evidence.</p> <p>Analyze the equilibrium in the money market and apply graphical analysis to the money market dynamics.</p> <p><i>III. Banking and the supply of money</i></p> <p>Compare and contrast financial institutions and identify the specificity of commercial banking.</p> <p>Analyze the main operations of a commercial bank and build its balance sheet.</p> <p>Explain the process of deposit creation and the deposit multiplier.</p> <p>Apply the deposit multiplier to problem solving.</p> <p><i>IV. Central Banking and monetary policy</i></p> <p>Derive the need for monetary policy and define the central bank as its subject.</p> <p>Explain the functions of the central bank. Understand the Euro system of Central Banks.</p> <p>Identify goals and tools of monetary policy: open market operations, minimum reserves ratio and the discount rate.</p>		

Build the balance sheet of the central bank and study the empirical evidence.

Assess the effectiveness of tools of monetary policy in the financial sector.

Examine the impact of monetary policy on real sector variables and assess its constraints.

V. The foundations of aggregate supply

Distinguish between short run and long run period in macroeconomics and contrast them to the microeconomic concepts of short run and long run.

Construct the short run aggregate supply curve and determine factors, affecting the slope and the position of the SRAS curve.

Analyze aggregate supply in the long run and build the long run aggregate supply curve. Identify factors affecting LRAS curve.

Apply graphical analysis to problem identification and solution.

VI. Economic growth

Define economic growth as an increase in the potential GDP. Compare and contrast actual vs. potential economic growth.

Analyze indicators of economic growth based on real world evidence.

Distinguish between factors and conditions of economic growth. Analyze factors determining economic growth and relate the theory to real world evidence for Cyprus.

Compare and contrast different models of economic growth and approaches to economic development.

Discuss the cost of economic growth based on real world evidence.

VII. Economic growth and unemployment

Discuss the importance of employment for economic growth and analyse its dimensions.

Determine the nature of unemployment and familiarize with its measurement. Distinguish between different forms of unemployment and analyse their dynamics. Apply theory to the assessment of the empirical evidence.

Identify the nature of the natural rate of unemployment and discuss factors determining it.

Classify the policies to reduce unemployment and discuss their effectiveness based on theory and empirical evidence.

	<p>Familiarize with the interplay between the rate of unemployment and economic growth based on the Okun's law.</p> <p>Discuss the cost of unemployment.</p> <p>VIII. Inflation and unemployment</p> <p>Define the concept of inflation and confront it to deflation and disinflation.</p> <p>Classify inflation according to its form, to the rate of price level growth, to the expectations, and to its sources.</p> <p>Familiarize with the consumer price index (CPI) and the producer price indexes (PPI). Compare and contrast different measures of the price level: GDP deflator, CPI and PPI and apply to the assessment of Cyprus price indexes and problem solving in a simulation game.</p> <p>Understand the trade-off of inflation and unemployment: build the Phillips' curve. Relate the short run Phillips' curve to the SRAS curve and the long run Phillips' curve to the LRAS curve and the natural rate of unemployment.</p> <p>Discuss the cost of inflation and assess critically the impact of deflation, based on theory and empirical evidence.</p>
<p>Teaching Methodology</p>	<p>The taught part of course is delivered to the students by means of <i>ex cathedra</i> lectures and discussions in class, by means of traditional tools and using computer demonstrations. The instructor relates current events with the material presented in the lectures. During the lectures students are encouraged to participate in discussions.</p> <p>Some of the key issues are revealed on the basis of simulation games. Role playing and teamwork are incorporated in the simulations.</p> <p>Auditory exercises, where examples regarding matter represented at the lectures, are solved and further questions related to particular open-ended topic issues are compiled by the students and answered, during the lecture or assigned as homework.</p> <p>Topic notes are compiled by students, during the lecture. Lecture notes and slide shows can also be downloaded from the lecturer's webpage. Tutorial problems are submitted as homework and these are solved during lectures or privately during lecturer's office hours.</p> <p>Further literature search is encouraged by assigning students to identify a specific problem related to some issue, gather relevant scientific information about how others have addressed the problem and report this information in written or orally. Teamwork assignments on the dynamics of employment and unemployment rates in Cyprus and the cost of unemployment are given to collect information and communicate it with the audience in a dispute format.</p>
<p>Bibliography</p>	<p><u>(a) Textbooks:</u></p>

	<ul style="list-style-type: none"> • Sloman J, D. Garratt and Jon Guest. Economics. Pearson, 10th edition • Samuelson & Nordhaus, Economics, McGraw Hill, 19th edition <p><u>(b)References:</u></p> <ul style="list-style-type: none"> • Parkin M., M. Powell and K. Matthews. Economics, Pearson, 9th edition • Crystal A. & R. Lipsey. Economics, Oxford University Press, 13th edition
Assessment	<p><u>(a) Methods:</u></p> <p>Students are assessed with coursework that involves homework assignments and class participation, two written quizzes, a midterm and a final exam. The assessment involves explaining theoretical concepts, examining real life situations, solving numerical problems and applying graphical analysis.</p> <p>Students are assessed continuously and their knowledge is checked through tests with their assessment weight, date and time being set at the beginning of the semester via the course syllabus.</p> <p>Students are prepared for final exam, by revision on the matter taught, problem solving and concept testing and are trained to be able to deal with time constraints and revision timetable.</p> <p>The final assessment of the students is formative and cumulative and is assured to comply with the subject's expected learning outcomes and the quality of the course.</p> <p><u>(b) Criteria:</u></p> <p>The assessment criteria can be generalized as follows concerning the area assessed:</p> <ul style="list-style-type: none"> • 86% or more – Excellent application of problem solving skills. • 76%-85% - Very good application of problem solving skills. • 66%-75% - Good application of problem solving skills. • 56%-65% - Satisfactory with some success in applying problem solving skills • 50%-55% -Satisfactory with limited success in applying problem solving skills • Below 50% -Little or no application of problem solving skills. <p>Assessment criteria are available in each written assignment, midterm or in the final exam.</p> <p><u>(c) Weights:</u></p>



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	Final Exam	60%
	2 Quizzes	10%
	Mid-term	20%
	Homework assignments and participation	10%
Language	English language	