Course Outline

COURSE TITLE: INTRODUCTION TO ECONOMICS II

COURSE CODE: ECON 1002

COURSE DISCIPLINE: ECONOMICS

LEVEL: 1

SEMESTER: II

NO. OF CREDITS: 3

PRE-REQUISITE(S): NONE

LECTURERS: Dr. Althea La Foucade, Ms. Christine Laptiste, Mr. Diedron Lewis, Dr. Anne Marie Mohammed, Dr. Ewan Scott and Mrs. Patricia Westcott.

COURSE DESCRIPTION/RATIONALE/EXPECTED OUTCOMES

This is an introductory Macroeconomics course and is one of the core courses offered by the Department of Economics. It is a foundation course for the understanding of economics and the Department is committed to supporting students in their quest to understand and indeed to excel in this course. Please feel free to consult with your respective lecturers and tutors as problems/issues arise. Students are also strongly encouraged to visit the lecturers during stipulated office hours to discuss various issues and concerns. Alternatively, the secretariat in the Economics Department Office (Room 203) will be pleased to arrange a special appointment if necessary.

ECON 1002 is designed to equip students with the tools necessary for analyzing real world macroeconomic problems and will serve as the basis for a more advanced course of study in macroeconomic theory. For the non-specialists, the course covers topics that will contribute greatly to understanding many of the most pressing issues facing the country and the world we live in, and includes concepts that are highly relevant to decision-making in most jobs.

Approached in the right way, this course can be an adventure. At the end, students should be able to better understand the news they hear, can make better decisions in their personal lives, more informed choices at the voting booth, and overall, be better citizens.
CONTENT

The course begins with a discussion of the Caribbean context within which the different components of the course will be presented.

The course introduces the concept a Circular Flow and proceeds to cover the basic concepts pertaining to National Income and its determinants, Gross Domestic Product, Aggregate Demand and Aggregate Supply.

Additionally the course will examine a few of the major issues of macroeconomic theory: Economic Growth, Unemployment, Balance of Payments Disequilibrium, Inflation, Budget and Trade Deficits.

Finally, issues relevant to the macroeconomic management of small open economies will be discussed.

TEACHING METHOD

Each student is required to attend at least one two-hour lecture session per week and will be assigned to a tutorial group which will meet once per week for one hour. Tutorial sessions will begin in the second week of the semester.

Lectures Please select one lecture option: (day, time, venue)

Day Students
- Monday, 10-12noon, TCB 21 / 22
- Wednesday, 10-12noon, FSS 107
- Friday, 9-11am, LRC A / B

Evening University Students
- Monday, 6-8pm, JFK LT
- Friday, 5-7pm, FSS MLT

Tutoring and Support

Tutorial sessions are meant to facilitate a deeper understanding of the subject matter. Students will be provided with tutorial questions which they are required to prepare before the weekly tutorial session. Ensure that you prepare to maximize the benefits from the tutorials!

The "myelearning" website will be used as a support platform for the delivery of this course. On a regular basis, students should login to the site to access tutorial materials, links and activities, to make inquiries, and to see the latest announcements and discussions.

Please visit http://myelearning.sta.uwi.edu/login/index.php to select and register for a tutorial and lecture session.
ASSESSMENT

End of Semester two-hour Final Exam for 100%. Students are reminded that, in addition to regular attendance at the lecture sessions, completion of the tutorial sheets and participation in tutorial sessions will put you in good stead to be successful in the final exam.

TEXTBOOKS

Essential:

Recommended:

LECTURE SESSIONS AND DESCRIPTIONS

SESSION 1

INTRODUCTION: MACROECONOMIC ISSUES AND MEASUREMENT

a. What is macroeconomics?
b. National Income Accounting: national output concepts; GDP, GNP, value added, nominal versus real national income
c. Circular flow.

THE ROLE OF GOVERNMENT

a. Rationale for Government intervention
b. Methods of intervention
c. Monitoring and evaluation of intervention

In this session we will discuss the major difference as well as the links between micro and macro economics. We will then discuss what macroeconomics means within the Caribbean context and highlight some of the differences between this and the non-Caribbean context. The relationship between the major elements of the macroeconomic system will then be explained with particular emphasis on the concept of National Income.

Reference: L&C: Chapters 14 & 15.
SESSIONS 2 & 3

MACRO-ECONOMIC EQUILIBRIUM: INCOME DETERMINATION IN THE SHORT RUN

a. Key assumptions
b. Consumption and Savings
c. Investment
d. Government Spending and taxes
e. Net Exports
f. The Multiplier and Income Determination

In this session we will introduce the traditional approach to explaining the way in which national income is determined. The session will develop the concept of the multiplier. The limitations of this approach in understanding the Caribbean experience will also be discussed.

Reference: L&C: Chapters 16 & 17.

SESSIONS 4 & 5

MACRO-ECONOMIC EQUILIBRIUM: PRICE DETERMINATION

a. Aggregate Demand, Aggregate Supply, and Business Cycles
b. Factors that influence Aggregate Demand
c. The Aggregate Demand and Aggregate Supply curves
d. The Price Level
e. GDP Gaps

FISCAL POLICY

a. Fiscal Policy and Aggregate Demand

In this session the focus shifts from income to price determination. Students will be introduced to the concepts of aggregate demand and supply shocks and will be encouraged to explore the links between the aggregate expenditure concepts of the previous session and the price level.

This session also introduces the notion of macroeconomic policy – in particular, the notion of fiscal policy. Assuming that income and price stability are key objectives we will discuss how decision making in the public sector can make a difference to macroeconomic outcomes.

Reference: L&C: Chapters 18 & 19.
SESSIONS 6 & 7

MONEY, INFLATION AND MONETARY POLICY

a. Money; functions and creation  
b. Inflation; causes, impact and measurement  
c. Inflation experience in the Caribbean  
d. Monetary policy and Central Banks in the Caribbean

These sessions extend the notion of macroeconomic policy to cover the role of money in the system. After a basic discussion of the nature and functions of money and a description of how money is created in the economic system the session will move to the important question of inflation—changes in the price level through time. We will examine the reasons for changes in the price level as well as the consequences of these changes. The session will also seek to familiarize student with how the Caribbean has fared with inflation and will end with a discussion of monetary policy.

Reference: L&C: Chapters 20, 21 & 24.

SESSION 8

UNEMPLOYMENT

a. Definition and measurement of unemployment  
b. Impact of unemployment on the economy  
c. Unemployment experience and response in the Caribbean  
d. The concern with poverty and income distribution

The phenomenon of unemployment is approached first from a measurement perspective and then from an analytical perspective. Although the discussion will treat with a number of issues which arise more clearly in a developed country context – the links with output and inflation, for example, - we will attempt to use the Caribbean experience and response to deepen the student's understanding of the phenomenon.

Reference: L&C: Chapter 25.

SESSIONS 9 & 10

A CARIBBEAN PERSPECTIVE OF THE MACROECONOMY: SELECTED TOPICS

The short view (Dudley Seers)  
The long view (Best & Levitt)  
Dealing with labour surplus (Lewis)
These sessions are meant to bring students to a mature understanding of the macroeconomics that has been discussed in previous sessions. In order to do this the sessions will provide an introductory review of three key pieces of Caribbean economics literature.

**Reference:** The Caribbean Economy: A Reader.

### SESSION 11

**ECONOMIC GROWTH AND DEVELOPMENT IN THE CARIBBEAN**

a. Review of GDP growth experiences of Caribbean countries  
b. Measuring economic welfare: HDI etc.  
c. Economic explanations of growth and restraints on economic development  
d. Development policies

The issues of growth and development are central to the macroeconomic experience of the Caribbean. The session will begin with a review of the experience in this part of the world but will then proceed to identify the principles which govern these two outcomes in a range of countries. The session will end on the question of measurement since this will be important in understanding the role that macroeconomic policy might play.

**Reference:** L&C: Chapter 26.

### SESSION 12

**EXCHANGE RATES AND THE BALANCE OF PAYMENTS**

a. What is the Exchange Rate?  
b. Structure of the Balance of Payments (BOP) Account  
c. The determination of the Exchange Rate  
d. The significance of BOP equilibrium/disequilibrium

In one sense the Balance of payments can be seen as the Achilles’ Heel of the economies of the Caribbean. The main aim of this session will be to explain why this might be so. In order to do this the session will treat with the nature and the determination of the Exchange Rate as well as with the structure of the Balance of Payments account.

**Reference:** L&C: Chapter 22.
SESSION 13

INTERNATIONAL TRADE AND TRADE POLICY

a. Gains from trade – a theoretical viewpoint
b. The role of trade in economic development – CARICOM on stage
c. Free Trade and Protection – two sides of the same coin?
d. The new trading environment – implications for the Caribbean

In this session students will be exposed to the basic economic reasoning which justifies international trade. This will be followed by a discussion of trade in the development process – is it the engine or the lubrication? Finally the session will consider free trade and protection within a Caribbean environment and will discuss the future of the Caribbean within the new international trading system.

Reference: L&C: Chapter 27.