



Faculty of finance and business administration

Department of finance and business economics

Course: (0507102) Principles of Macroeconomics.

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Objectives of this course.

The main goal of the course is to realize the nature of the principles of macroeconomics and provide student with enough Idea about introduction to macroeconomics, Measuring National Output and National Income. Long-run and short –run concerns: Growth, productivity, unemployment an inflation. Aggregate Expenditure and Equilibrium Output. The Government and Fiscal Policy, Aggregate Demand, Aggregate Supply, and Inflation. The Labor Market, Unemployment, and Inflation.

Textbook:

The textbook for this course is principles of economics 8th edition by Case and fair.

The course is lecture based. Lectures will consist of covering the theory, examples, and class discussion. Homework assignments will focus on applying the material from lectures.

Course outline:

CH 1: Measuring National Output and National Income.

national income and product accounts, gross domestic product (GDP), final goods and services, intermediate goods, value added, Exclusion of GDP accounting, gross national product (GNP) , Calculating GDP (Expenditure, Income and value added approaches), Personal consumption expenditures (C), Gross private domestic investment (I), Government consumption and gross investment (G), Net exports (EX – IM). Personal income, disposable personal income or after-tax income, personal saving, nominal GDP, Real GDP, calculating GDP deflator, and underground economy.

CH2: Long-run and short –run concerns: Growth, productivity, unemployment an inflation.

output growth , per-capita output growth , productivity growth, recession, depression, employed, unemployed, not in the labor force, labor force, unemployment rate, labor force participation rate, unemployment types (frictional unemployment, , the cost of unemployment, structural unemployment, cyclical unemployment), Social Consequences of unemployment. Inflation,

sustained inflation, sustained inflation, consumer price index (CPI), producer price indexes (PPIs), the cost of inflation. Effects of inflation on Debtors and Creditors, real interest rate.

CH3: Aggregate Expenditure and Equilibrium Output.

aggregate output, aggregate income, Income, consumption, and saving (Y , C , AND S), consumption function, marginal propensity to consume (MPC), saving function, marginal propensity to Save (MPS), Average propensity to consume (APC), Average propensity to save (APS), investment, Actual versus Planned Investment, equilibrium.

CH4: The Government and Fiscal Policy.

fiscal policy, monetary policy, discretionary fiscal policy, government purchases, net taxes and disposable income, budget deficit, equilibrium output, The Leakages/Injections Approach to Equilibrium, the government spending multiplier, tax multiplier, balanced-budget multiplier, open economy multiplier, government budget, budget surplus or deficit. Automatic stabilizers, full-employment budget, structural deficit, cyclical deficit.

CH5: Aggregate Demand, Aggregate Supply, and Inflation.

The Aggregate Demand Curve, Shifts of the Aggregate Demand Curve, The Aggregate Supply Curve, Shifts of the Short-Run Aggregate Supply Curve, The Equilibrium Price Level, The Long-Run Aggregate Supply Curve, Potential GDP, Aggregate Demand, Aggregate Supply, and Monetary and Fiscal Policy, Long-Run Aggregate Supply and Policy Effects, Causes of Inflation, Inflation versus Sustained Inflation, Demand-Pull Inflation, Cost-Push, or Supply-Side, Inflation, Expectations and Inflation, Money and Inflation,

CH6: The Labor Market, Unemployment, and Inflation.

The Labor Market: Basic Concepts, The Classical View of the Labor Market, The Classical Labor Market and the Aggregate Supply Curve, The Unemployment Rate and the Classical View, Explaining the Existence of Unemployment, Sticky Wages, Efficiency Wage Theory, Imperfect Information, Minimum Wage Laws, The Short-Run Relationship Between the Unemployment Rate and Inflation, The Phillips Curve: A Historical Perspective, Aggregate Supply and Aggregate Demand Analysis and the Phillips Curve.

Assessment and Grading:

First Exam	20%
Second Exam	20%
Attendance and class participant	10%
<u>Final Examination</u>	<u>50%</u>
Total	100

Good Luck

