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DEPARTMENT OF ECONOMICS ECONOMICS 214 • 2019 • MACROECONOMICS

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A. Overview, purpose and outcome of the module

Understanding macroeconomic theory is essential for an insight into the functioning of the economy and how it affects participants. However, the modern approach to macroeconomic theory is underpinned by microeconomic fundamentals; as such, we utilize a more modern approach to intermediate macroeconomic theory and model development.

We start with an introduction and study of measurement of macroeconomic variables and issues pertaining contemporary macroeconomics. This is followed by the development of a set of key business cycle facts that is used throughout the course. Given the importance of microeconomic foundations for our course, we conduct a detailed study of the behaviour of consumers and firms before developing a one period model of the economy. The next step thereafter is to consider a two period model, which allows us to answer complicated policy questions related to consumption-savings decisions and the impact government policy can have on the economy. In chapter 11 we add monetary phenomena to the real intertemporal model to construct a monetary intertemporal model.

Students are expected to work diligently throughout the course. To facilitate this process, tutorial sessions have been scheduled where students will get the opportunity to discuss tutorial answers and to pose further questions. In addition, students must remember that all work discussed in lectures or tutorials, including material in the slides that may or may not be in the textbook, can be included in tests or exams.

B. Module content

1. Introduction [Williamson, chapter 1]
2. Measurement [Williamson, chapter 2]
3. Business cycle measurement [Williamson, chapter 3]
4. Consumer and firm behaviour [Williamson, chapter 4]
5. A closed economy one-period macroeconomic model [Williamson, chapter 5]
6. A two-period model: the consumption-savings decision and credit markets [Williamson, chapter 9]
7. A real intertemporal model with investment [Williamson, chapter 11]

C. Prescribed literature

Williamson, SD. 2017. Macroeconomics 6th edition (Global edition). Cape Town: Pearson.

