

# Lecture 1: Introduction

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İlhan Güner | University of Kent

EC566 | Macroeconomics for Business

# EC566: Macroeconomics for Business

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- **Office:** Kennedy 119
- **Consultation hours:** Mondays and Wednesdays 10-11am
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# Assessment

- 20% Coursework
  - 2 short essays (10% each)
- 80% 2hr exam

## Coursework essay submissions:

- Week 19
- Week 24

# Coursework Essay - Guidelines

- 750 word limit – 10% allowance in excess of word limit is permitted
- Structure: Brief introduction, main body, brief conclusion
- Include a bibliography (does not count in word count)
- For more information here is a good starting point:  
<https://www.kent.ac.uk/learning/resources/studyguides/planningandwritingessays.pdf>

## **Assessment is electronic only:**

- Submit via turnitin
- Try to avoid high similarity scores
- Use sensibly sized font (e.g.12pt)
- Draw diagrams where relevant

# Coursework Essays - Topics

- The lists of essay topics will be available in Moodle
- One essay to be chosen out of three topics in Week 19
  - List of topics is available immediately
- One essay to be chosen out of three topics in Week 24
  - List will be made available in week 19.
- Start thinking and preparing early
- Get consultation and guidance - make use of our office hours

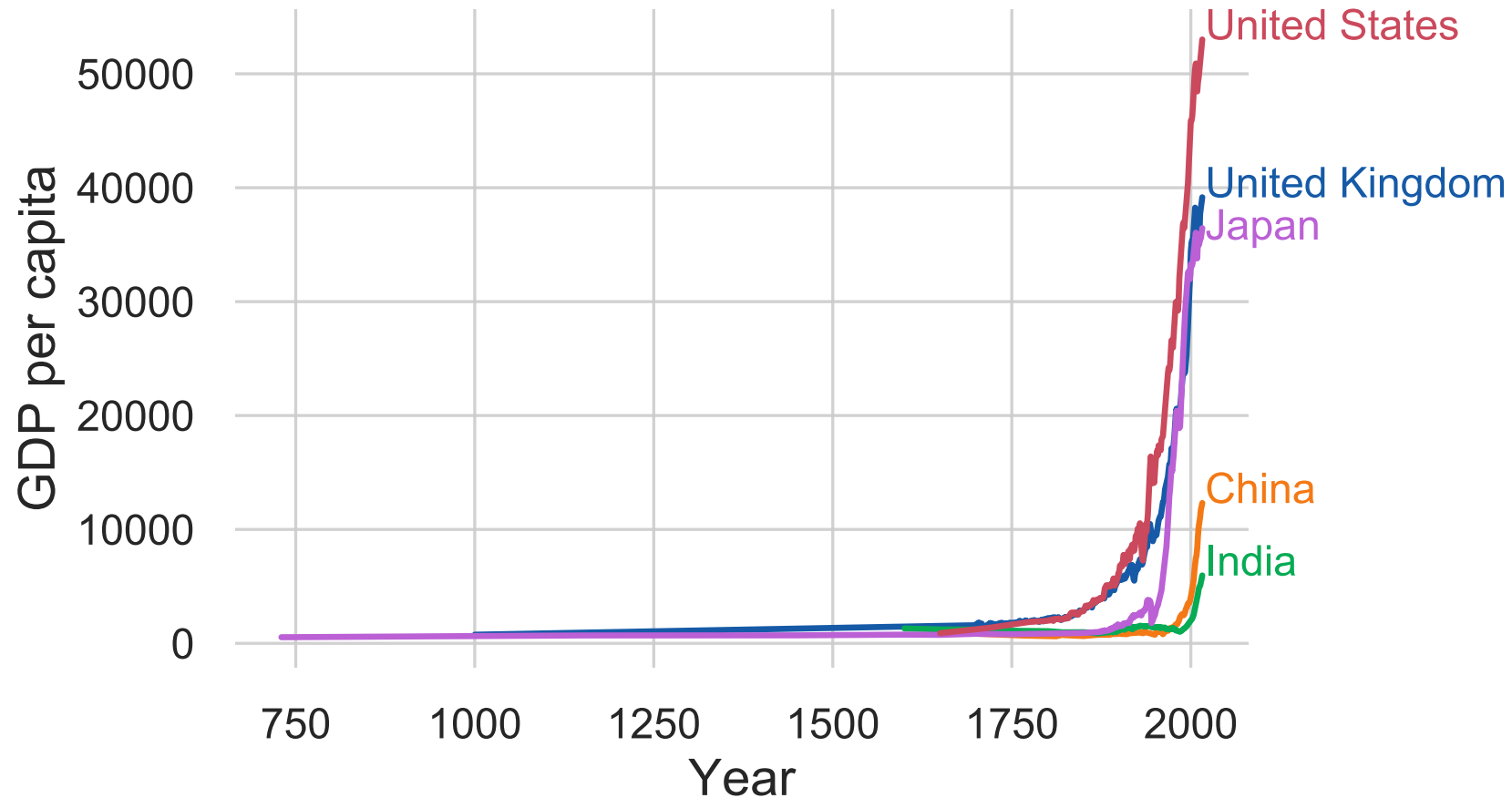
# Key factors for success:

- Read the core texts:
  - In addition to core text, you may also use additional recommended text books
- Read the Module Outline:
  - Contains key information on lecture, seminars and essay topics for the Spring term.
- Read a good daily newspaper - Financial Times & Economist
- Prepare for seminars – Use them to test your understanding of the lecture

# Measuring income and living standards

- Gross Domestic Product (GDP) = A measure of total income and output of the economy in a given period. Usually expressed in per-capita terms (as an average income).
- GDP per capita  $\neq$  Disposable income
- Disposable income = Total income – taxes + government transfers
- Both are imperfect measures of well-being

# GDP per capita over time



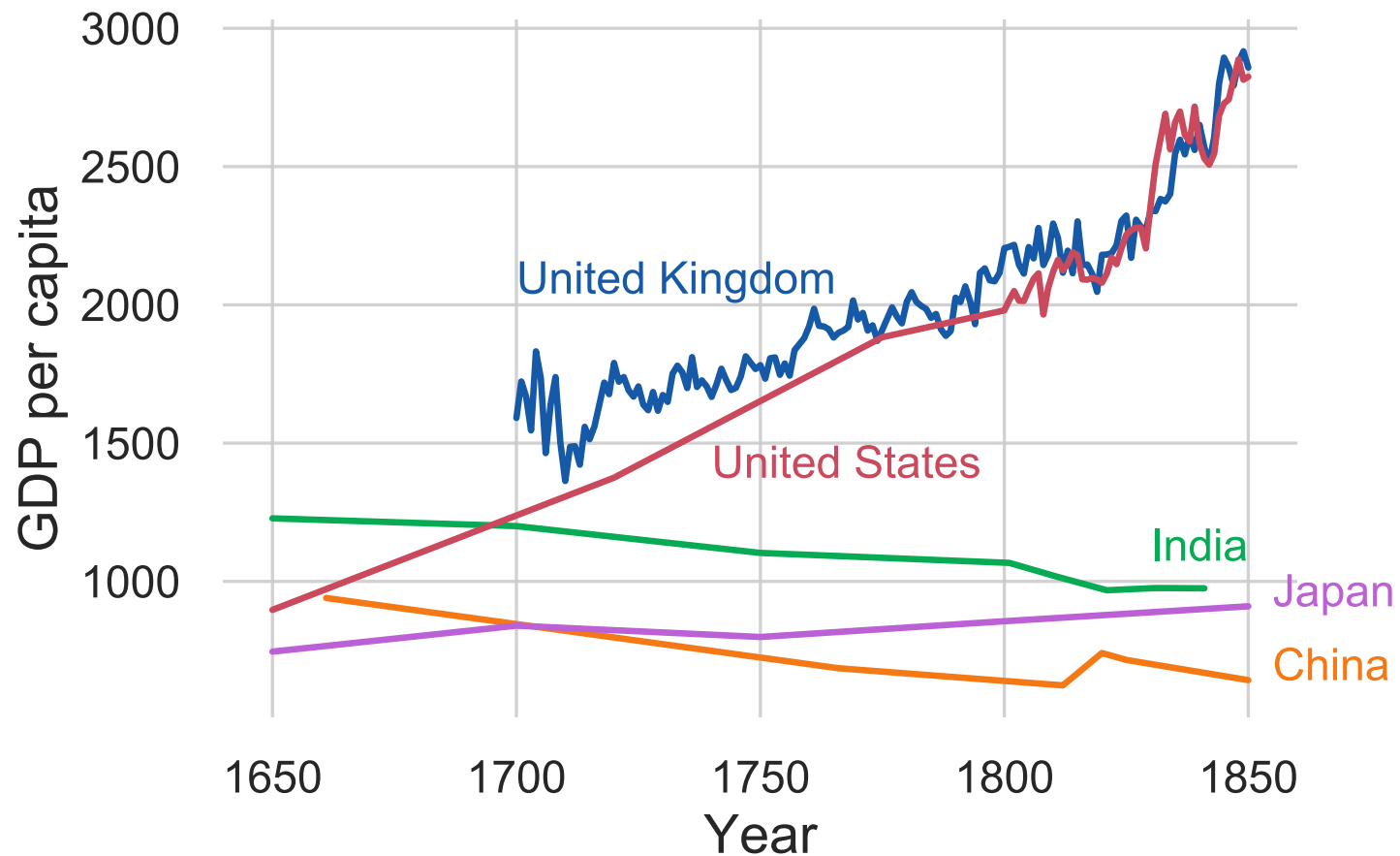
Source: Maddison Project Database (MPD) 2018



# Timing of growth

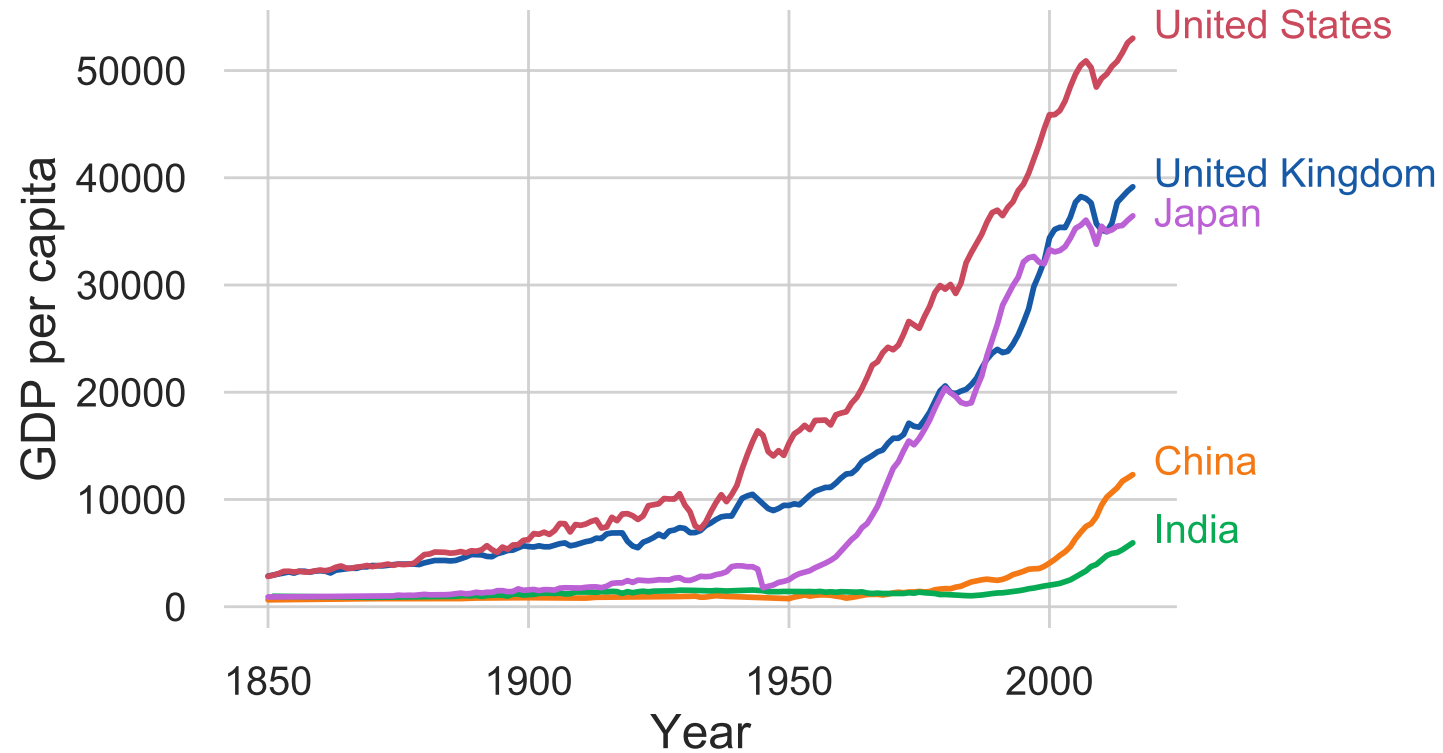
- Growth take-off occurred at different points in time for different countries:
  - Britain was the first country to experience sustained economic growth. It began around 1650.
  - In Japan, it occurred around 1870.
  - The kink for China and India happened in the second half of the 20th century.
- In some economies, substantial improvements in people's living standards did not occur until they gained independence from colonial rule or interference by European nations.

# Britain: first to sustained economic growth



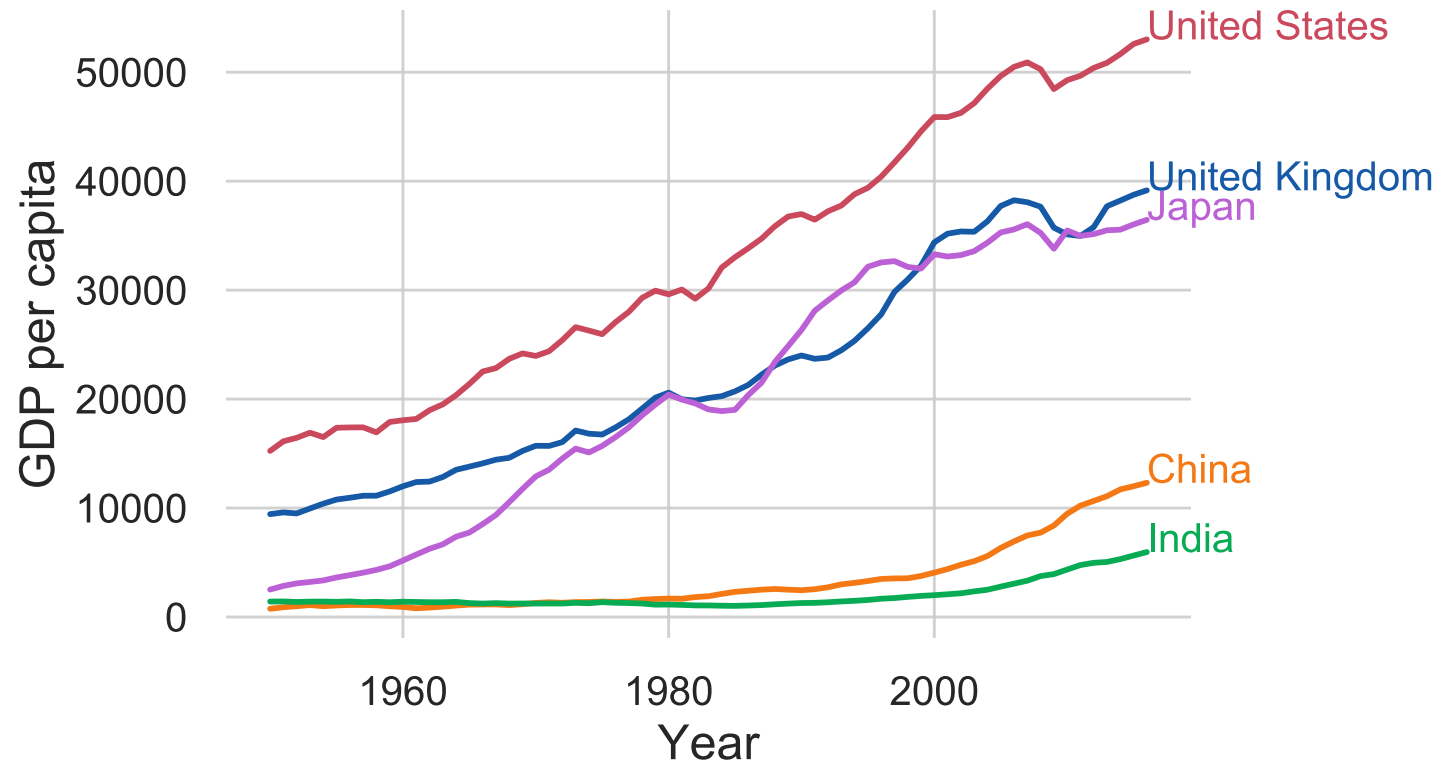
Source: Maddison Project Database (MPD) 2018

# Sustained growth in Japan occurred around 1870



Source: Maddison Project Database (MPD) 2018

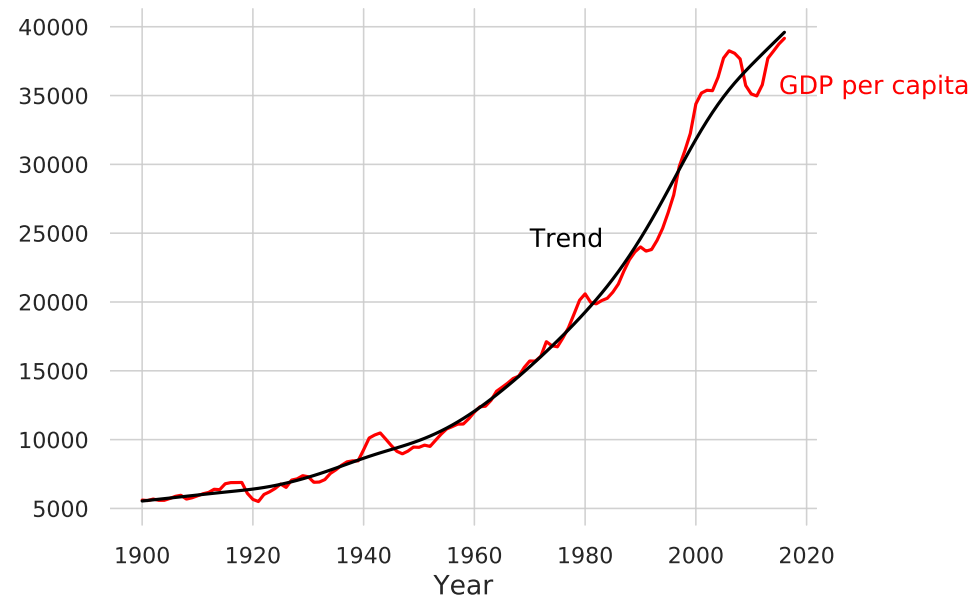
# The kink for China and India happened in the second half of the 20th century



Source: Maddison Project Database (MPD) 2018

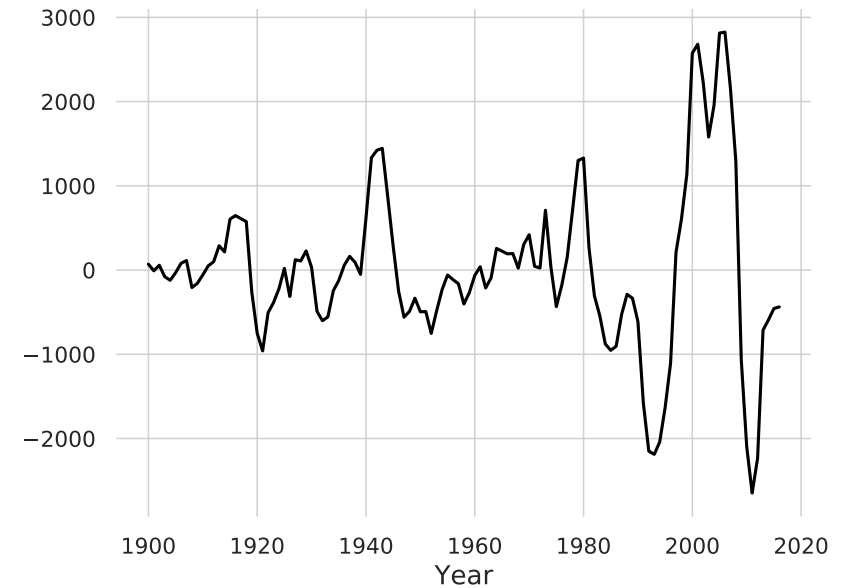
# Business Cycles

## Trend



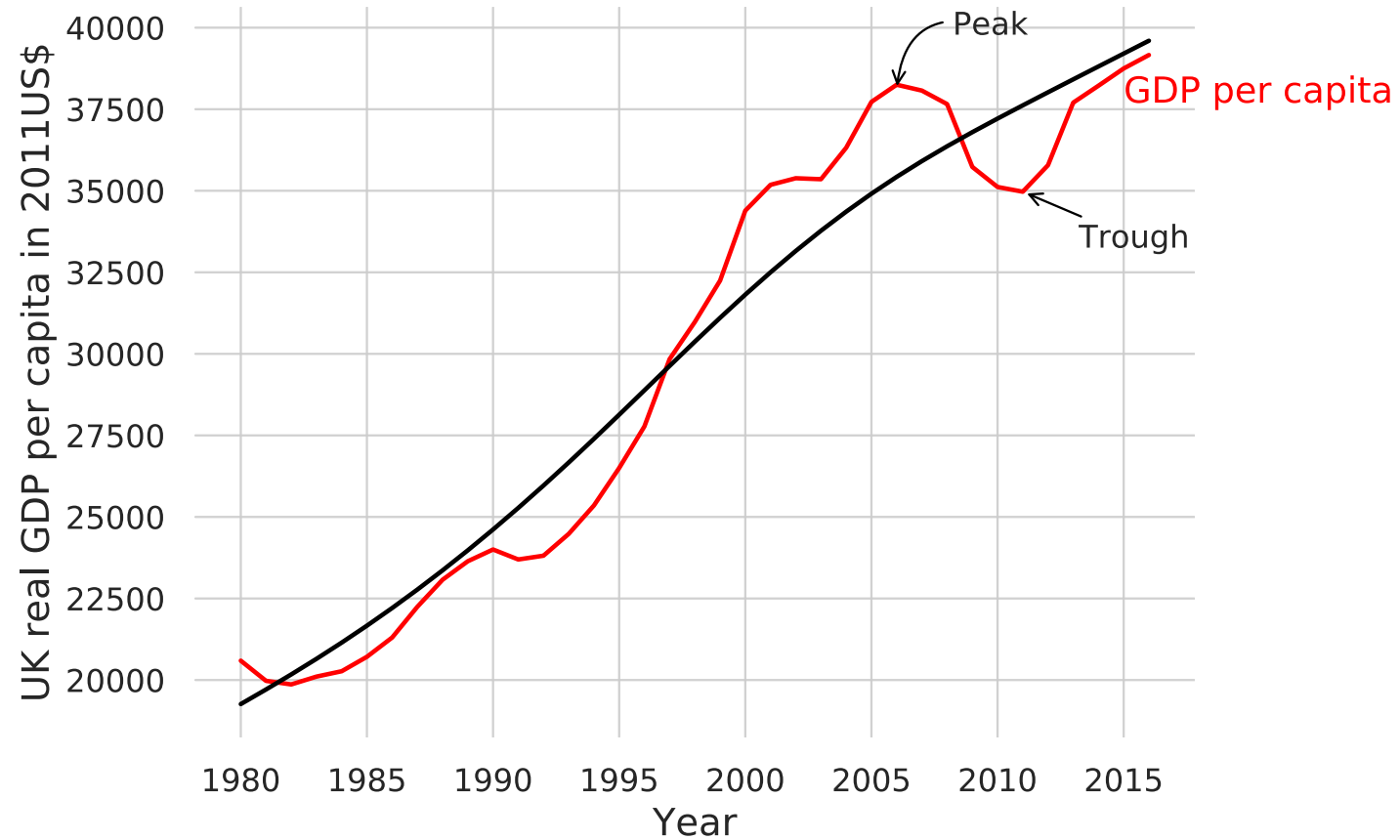
Source: Maddison Project Database (MPD) 2018

## Cycle



Source: Maddison Project Database (MPD) 2018

# Peak and trough of a business cycle

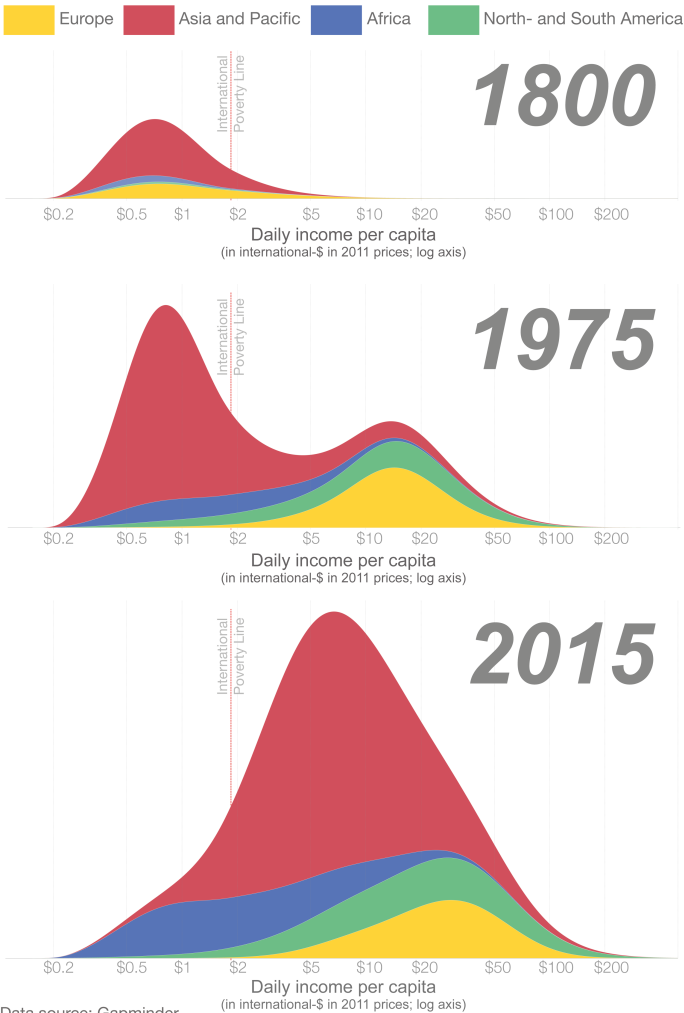


Source: Maddison Project Database (MPD) 2018

# Inequality

Global income distribution in 1800, 1975, and 2010

Income is measured by adjusting for price changes over time and for price differences between countries (purchasing power parity (PPP) adjustment). These estimates are based on reconstructed National Accounts and within-country inequality measures. Non-market income (e.g. through home production such as subsistence farming) is taken into account.



Data source: Gapminder

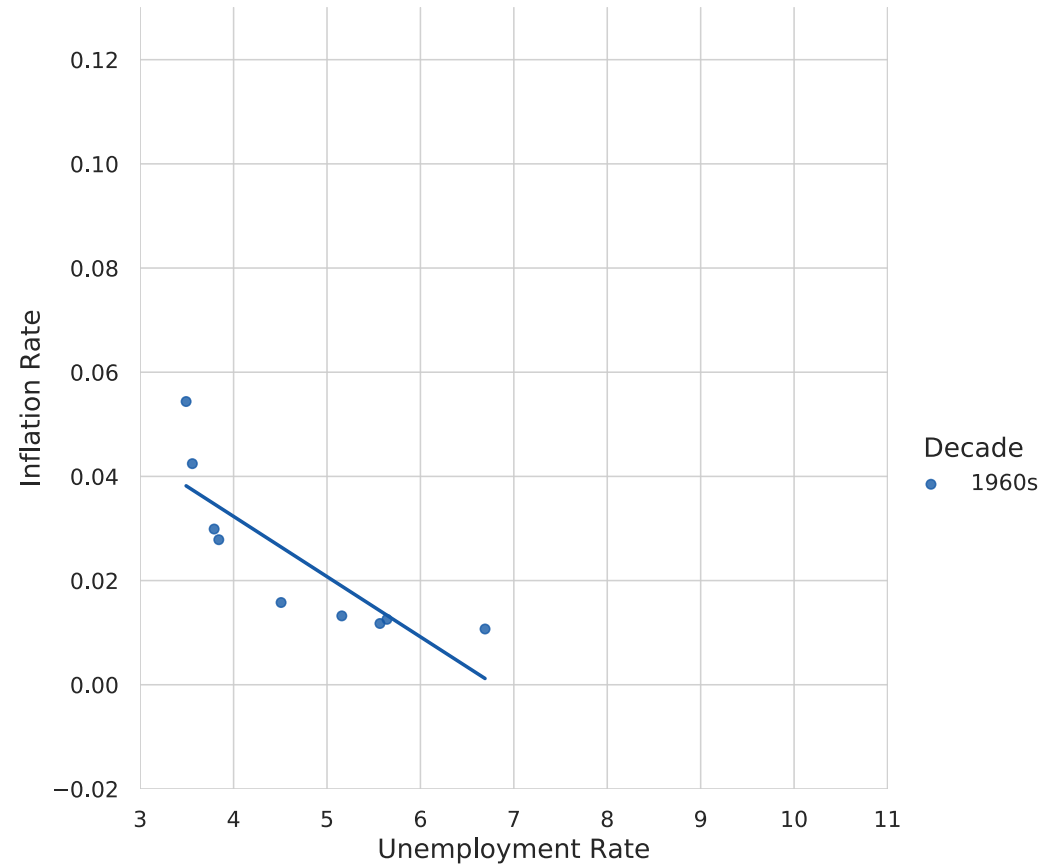
The visualization is available at [OurWorldinData.org](https://OurWorldinData.org) where you find more visualizations and research on global development. Licensed under CC-BY-SA by the author Max Roser.

# Key Concepts

- **Institutions:** laws and social customs governing the production and distribution of goods and services
- **Capitalism:** an economics system where the main institutios are private property, markets, and firms
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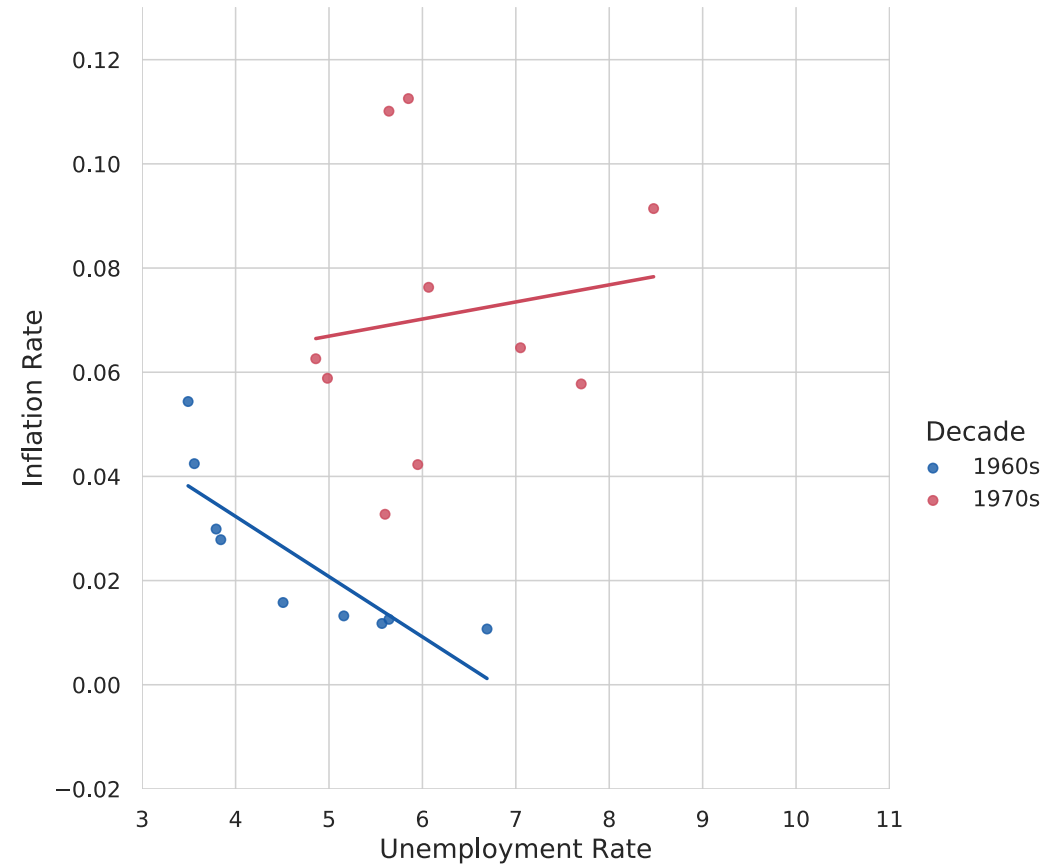


# Philips Curve



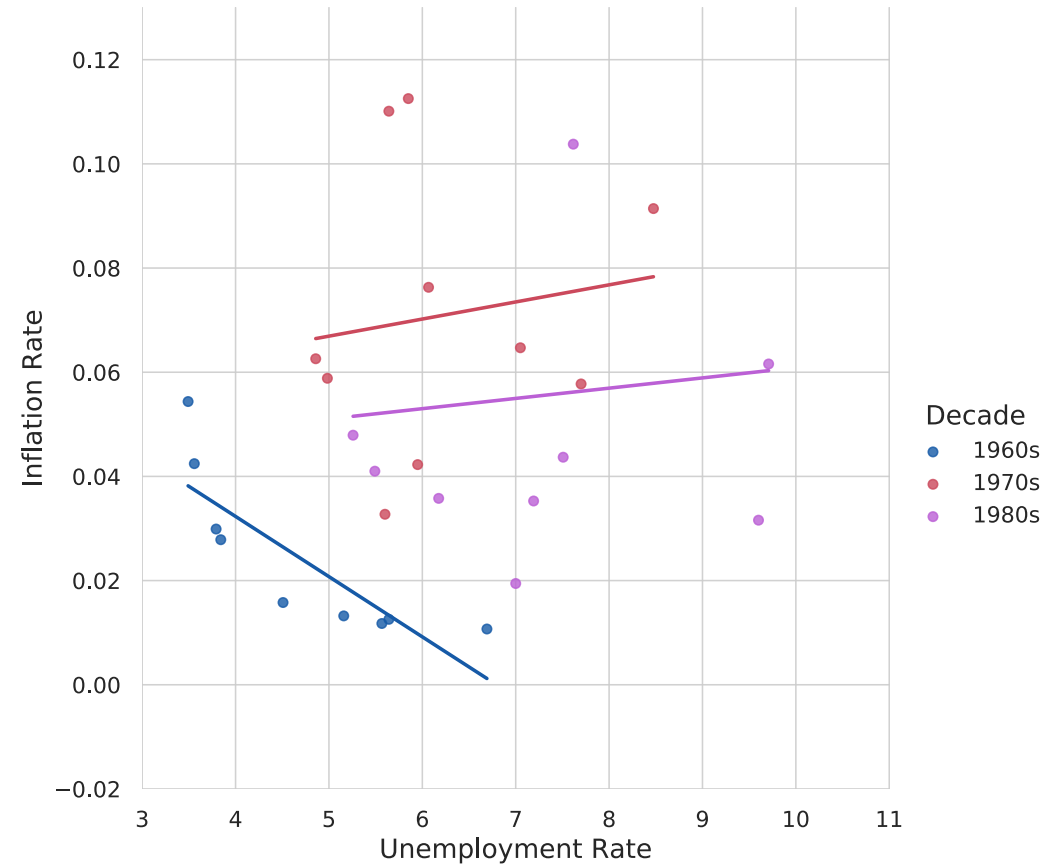
Source: Consumer price index for all urban consumers (BLS) and own calculations  
Unemployment Rate (BLS)

# Philips Curve



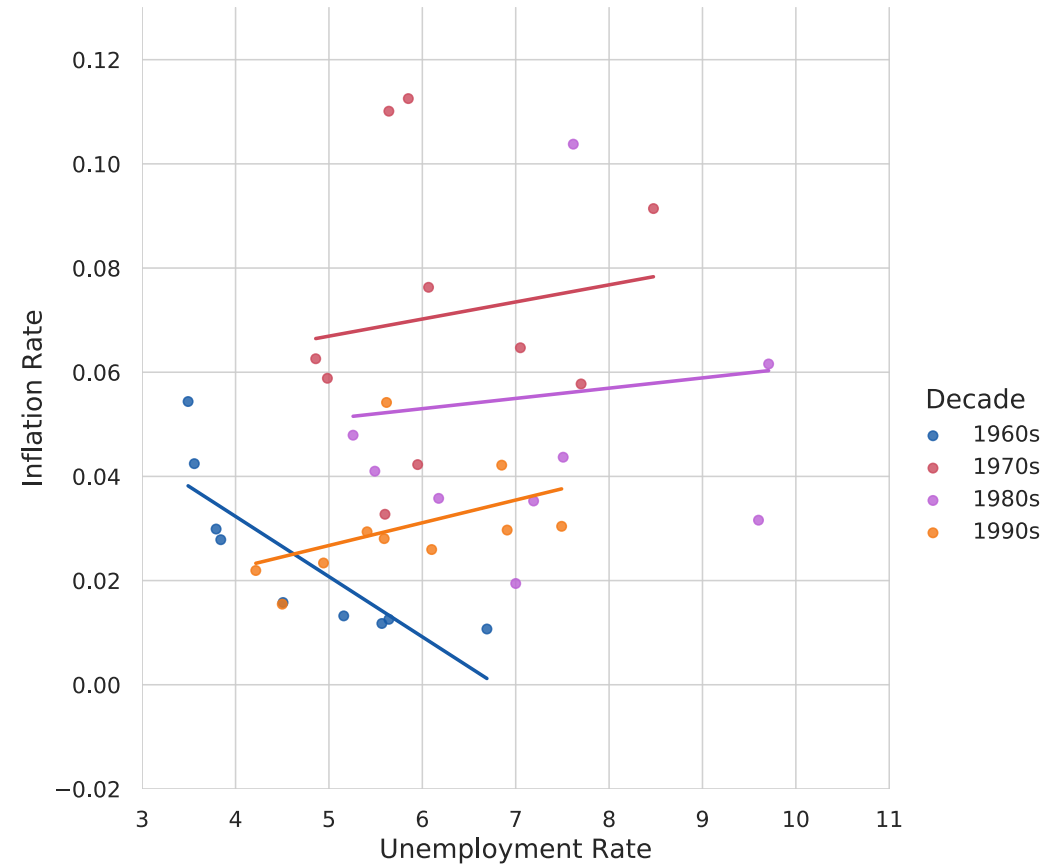
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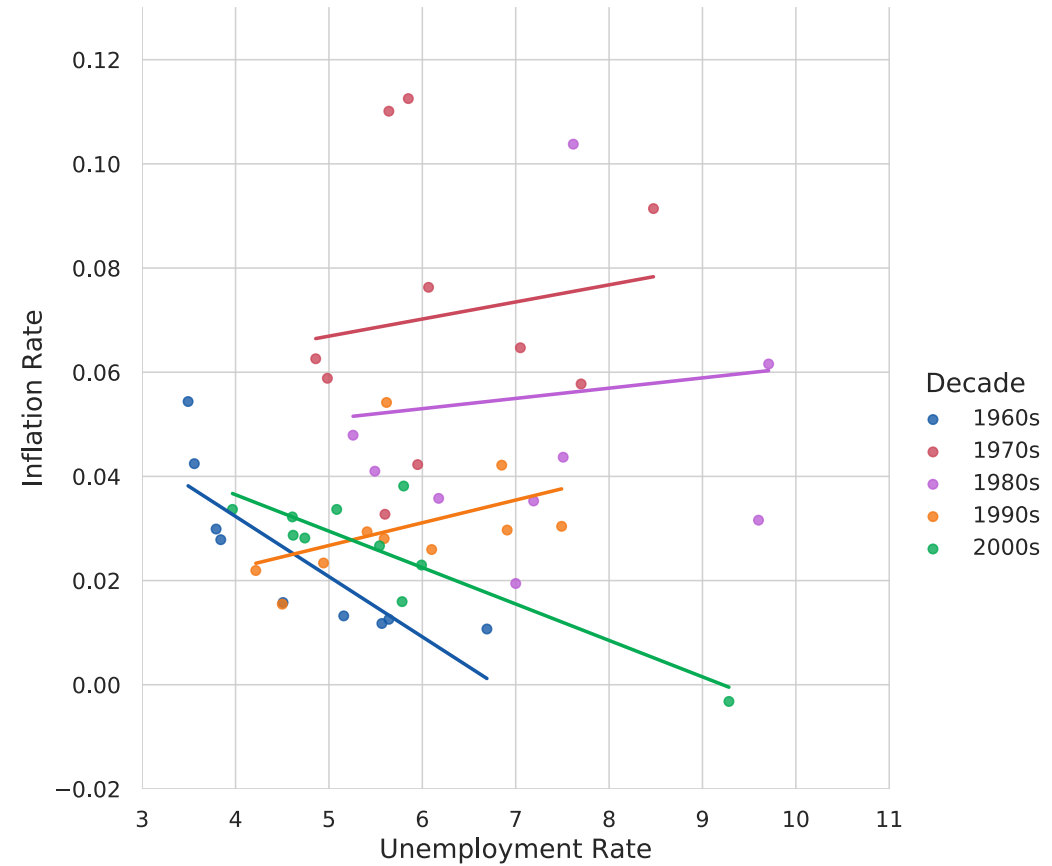
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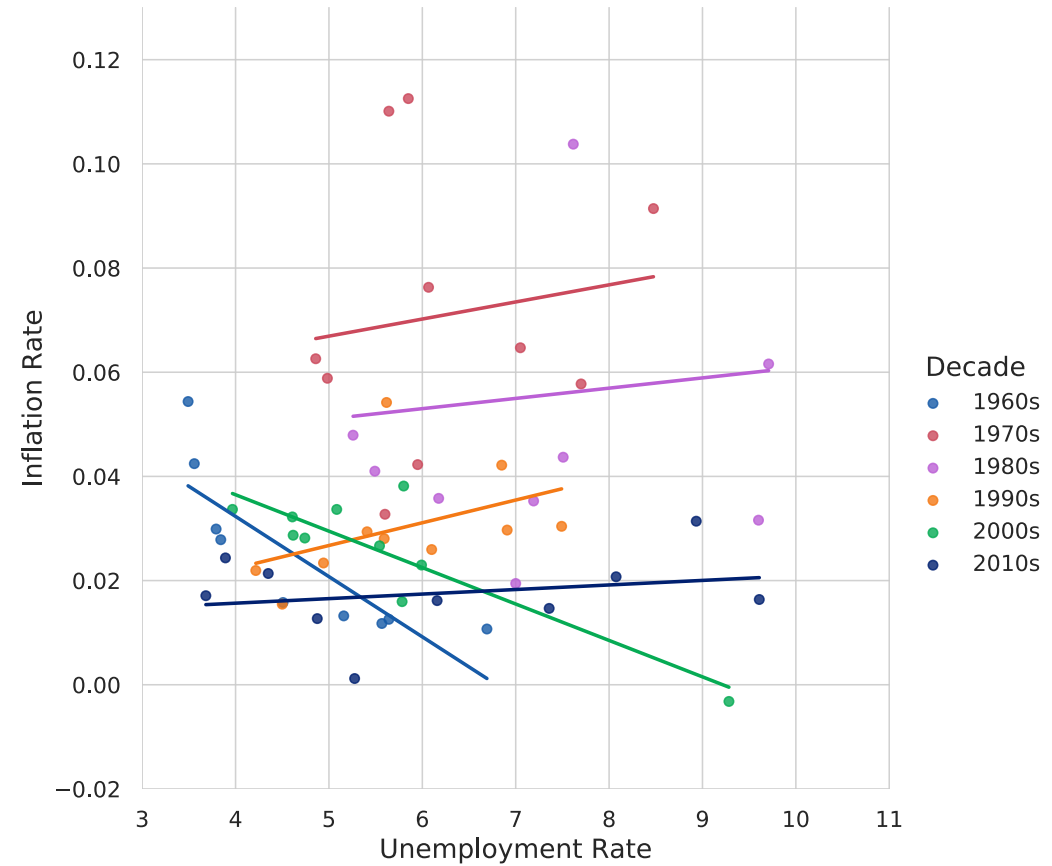
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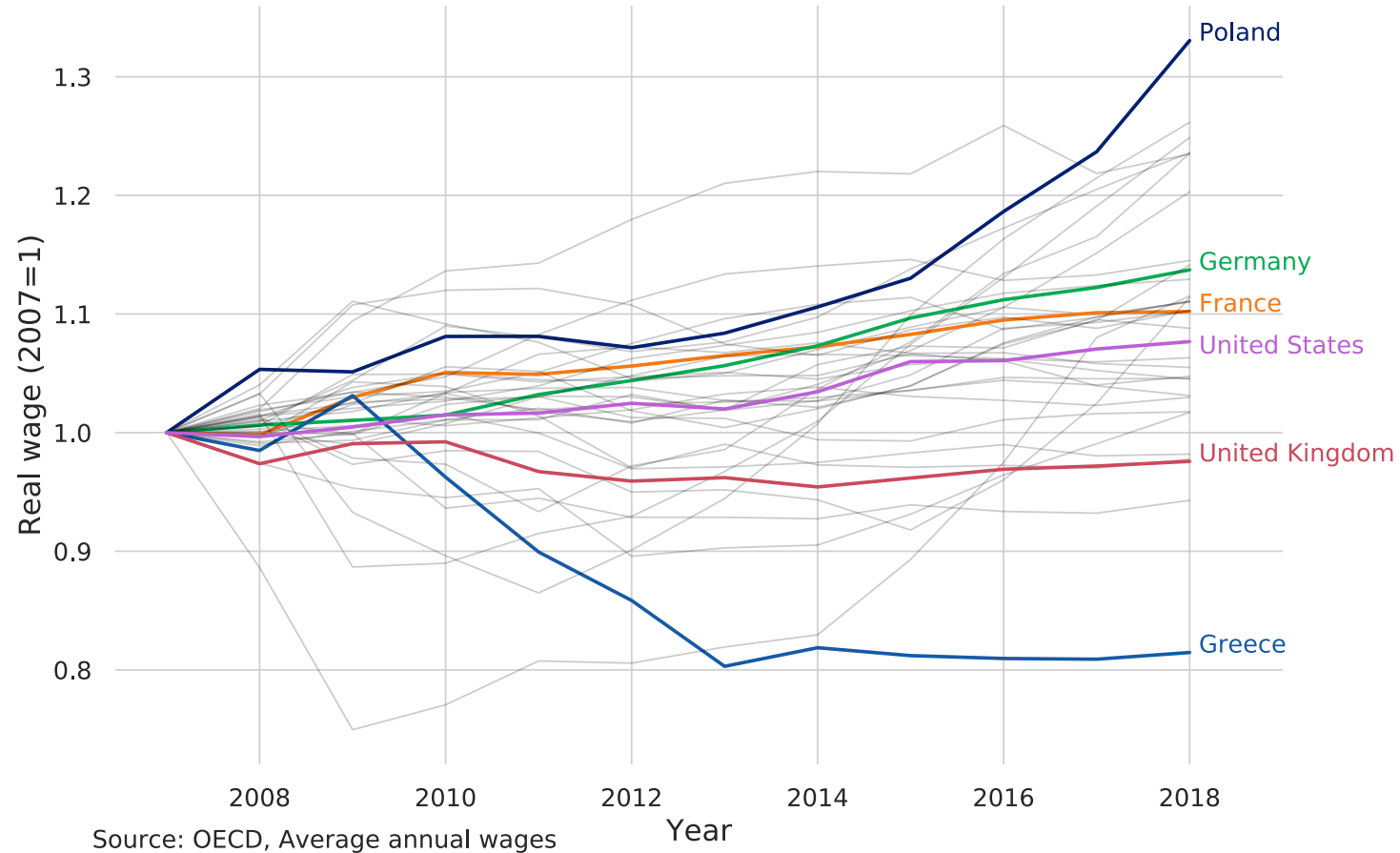
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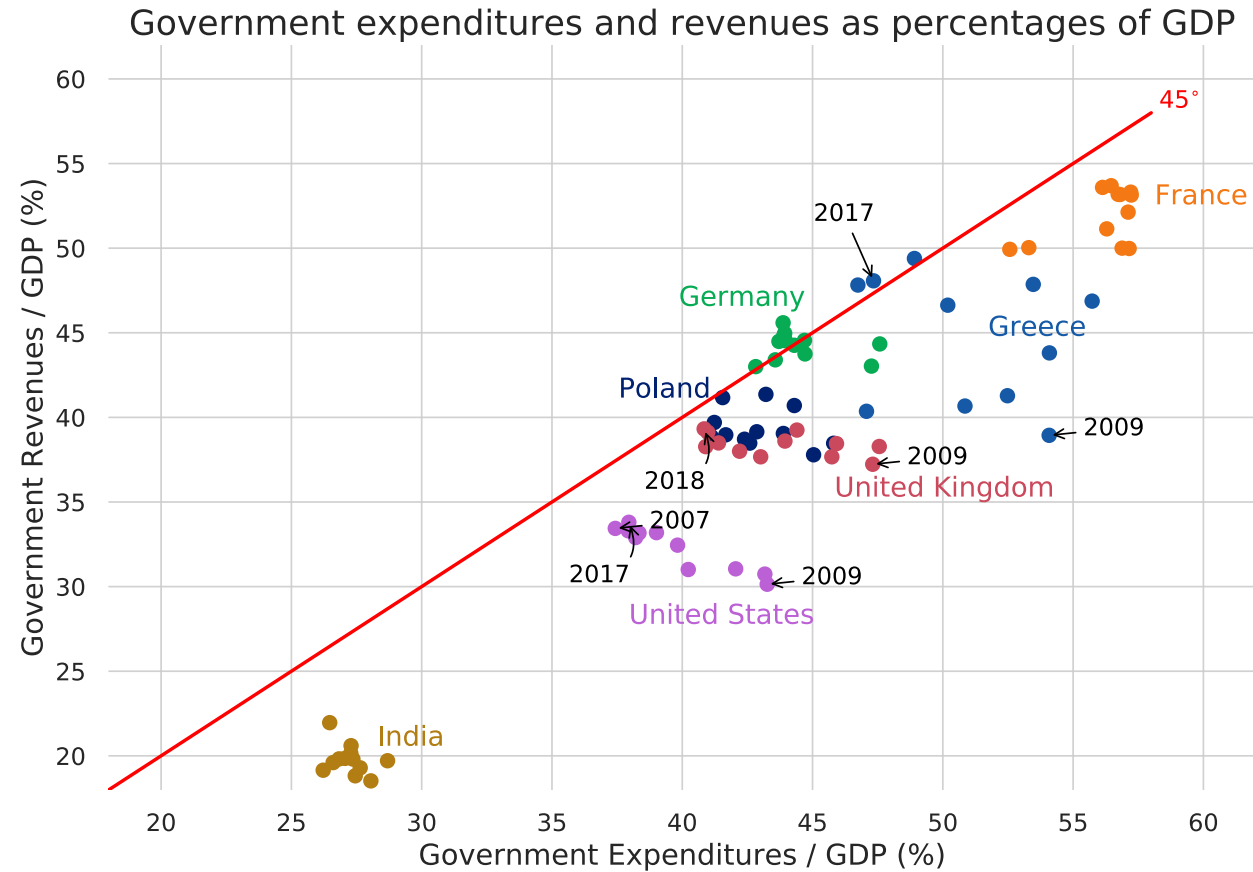


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# Real Wage



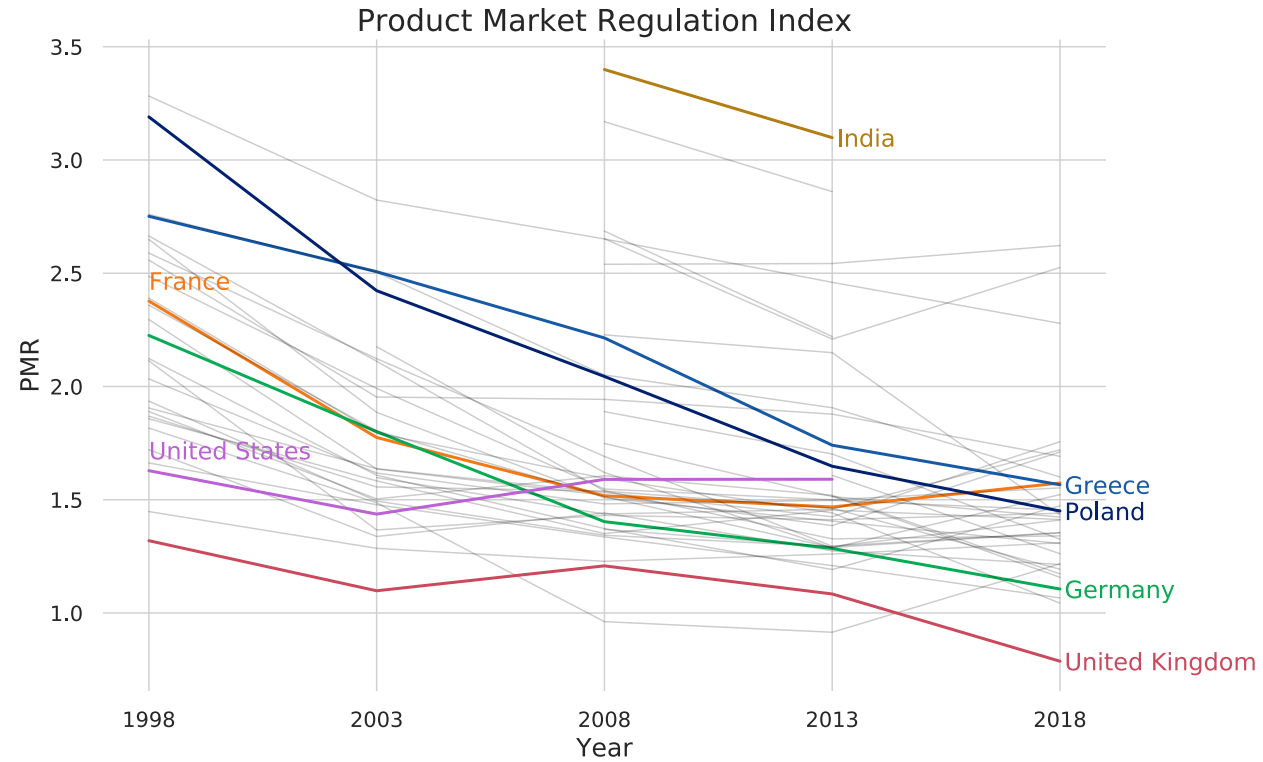
# Fiscal Policy



Source: OECD, Government at a glance



# Regulation



Source: OECD, Indicators of product market regulation