Updated

ECO - 212 : Introductory Macroeconomics

Module Objectives

This module aims to develop students' understanding of the macroeconomic concepts to enhance their skills in analyzing business environment for decision-making.

Contents

Macroeconomics: concepts and significance. National income accounting: concepts, measurement approaches and difficulties of national income. Income determination models: classical model, Keynesian theories, IS – LM model, AD-AS Approach, Consumption, saving and investment functions, Concept of multipliers. Macro Economic Environment: Business cycles: Inflation, deflation and stagflation, Unemployment, BOP and Exchange rate, Privatization, Globalization, and Liberalization, FDI, Economic growth and development. Macroeconomic policies: monetary policy, fiscal policy.

Detailed Course

Unit 1: Introduction to Macroeconomics **LH 2**

- Meaning and scope of macroeconomics
- Static and dynamic analysis of Macroeconomics
- Macroeconomics and business environment.

Case Studies

Unit 2: National Income Accounting **LH 7**

- Circular flow of income and expenditure (two, three and four sector economy)
- Meaning of national income
- Various concepts of NI: GDP, NDP, GNP and NNP (both in – market price and factor cost terms), Personal income, Disposable income and **Saving**, Per capital income
- Nominal GDP, Real GDP and GDP deflator
- Measurement methods of NI (Product, Income and Expenditure)
- Measurement Difficulties of NI.

Numerical assignments and Case studies

Unit 3: Theories of National Income Determination **LH 20**

Classical Theory of output and Employment

Keynesian Model of Income Determination

- Consumption function: Meaning, technical attributes and determinants, Psychological law of consumption function
- Saving Function: Meaning, technical attributes and determinants, Paradox of thrift
- Investment Function: Meaning, types and determinants, MEC and Investment Demand Curve
- Income determination in a Two sector economy, change in aggregate demand and investment multiplier
- Income determination in a Three sector economy, fiscal multipliers (tax multiplier, government expenditure multiplier and balanced budget multiplier)
- Income determination in a Four sector Economy, foreign trade multiplier

IS – LM Model of Income Determination

- Derivation of IS curve and product market equilibrium
- Derivation of LM curve and money market equilibrium
- Determination of equilibrium income
- Shift in IS curve and effect on equilibrium income
- Shift in LM curve and effect on equilibrium income
- Shift in IS and LM curves and simultaneous effect on equilibrium income
- Effects of monetary and fiscal policies on equilibrium income

Numerical assignments and Case studies

Unit 4: Macro Economic Environment **LH 14**

Inflation: Meaning, types (on the basis of rate and control), Theories of inflation – Demand-pull and cost-push, Effects on production and distribution of income and wealth, Computation of rate of inflation (Using PPI, CPI and GDP deflator), Meaning of Deflation and Stagflation

Unemployment: Meaning and types, costs of unemployment, Inflation and unemployment

Business cycles: Meaning and characteristics, Phases of business cycles, Economic stabilisation policy.

Balance of Payments : Meaning and components

Exchange rate: Meaning and types, exchange rate determination (demand supply approach)

Economic growth and development: Meaning and differences, Sources of economic growth,

Privatisation, Economic liberalization, Globalization, market failure, Foreign direct investment, Foreign employment: current status and role.

Numerical assignments and Case studies

Unit 5: Macroeconomic Policies **LH 5**

Macroeconomic Policy: Meaning and Objectives

Money Supply: Meaning and sources

Monetary policy: Meaning, types, instruments, indicators, targets, goals.

Fiscal Policy: Meaning, methods, instruments, goals

Deficit Financing: Meaning and significance

Case studies

References

Bernake and Abel , ***Macroeconomics,*** Singapore, Pearson Education latest edition

Froyen, R.T. Macroeconomics and Policies (8^{th} edition)

Mankiew, NG (1998), ***Principles of Macroeconomics,*** Orlando, The Dryden Press, Harcourt Brace College Publishers

McConnell and Brue, ***Economics : Principles, Problems and Policies,*** New York, McGraw Hill. Latest edition

Shrestha, R.G. and Adhikari, G.M. ***Macroeconomics,*** fifth edition

Sloman and Slutcife ***Economics for Business,*** *Delhi, Pearson Education, latest edition*

Todaro, M.P ***Economics in the Third World,*** Hyderabad, Orient Longman, Ltd. Latest edition

Other suggested readings: Various Publications and Journals of Nepal Rastra Bank, Ministry of Finance, National Planning Commission, Central Bureau of Statistics, World bank, Central Department of Economics (TU) and So on.