

MACROECONOMICS

Course No.: MGT 206

Nature of the Course: Compulsory

Full Marks: 100

Pass Marks: 35

Lecture hour: 150

Course Objectives

This course of macroeconomics aims to enhance understanding of students on the macroeconomic theories and develop skills of students in using these theories in business decision making under different economic environment.

Course Description

This course of macroeconomics makes students capable to understand macroeconomic theories and contemporary macroeconomic issues in reference to Nepal. This course consists of introduction to macroeconomics, national income accounting, classical theory of employment, Keynesian macroeconomics, inflation, business cycles, monetary theory and policy, government finance and fiscal policy and contemporary issues in references to Nepal.

Contents

Unit 1: Introduction to Macroeconomics

LH 8

- Meaning, scope, uses and limitations of macroeconomics
- Difference and interdependence between macro and microeconomics
- Concept of new classical school and new Keynesian
- Macroeconomic concept: Stock and flow variables; Equilibrium and disequilibrium; Static, comparative static and dynamic analysis

Unit 2: National Income Accounting

LH 20

- Circular flow of income and expenditure in two sector, three sector and four sector economy
 - Meaning of national income
 - Different concept of national income: GDP, NDP, GNP, NNP, national income at factor cost (NI), personal income (PI), disposable personal income (DI), per capita income (PCI)
 - Real and nominal GDP, GDP deflator
 - Computation of National income: Product, Income and Expenditure method
 - Difficulties in measurement of national income
 - Importance of national income accounting
- (Numerical exercise)*

Unit 3: Classical Theory of Employment

LH 7

- Concept and types of unemployment
 - Say's law of market and its implications
 - Determination of equilibrium level of employment and output under classical theory
 - Critical evaluation of classical theory
- (Numerical exercise)*

Unit 4: Keynesian Macroeconomics

LH 30

- Keynesian theory of employment: Principle of effective demand
- Consumption function: Concept, classification, Psychological law of consumption, determinants of consumption function
- Saving function: Concept, classification, determinants of saving and paradox of thrift

- Investment function: concept and types of investment, Marginal efficiency of capital, investment demand curve, determinant of investment
- Income and output determination in two sector economy
- Investment Multiplier: Concept, income generation process, leakages and criticism
(Numerical exercise)

Unit 5: Income determination (IS-LM) model: Hicks-Hansen Approach **LH 8**

- An Introduction to Product market equilibrium (derivation of IS curve),
- Money market equilibrium (derivation of LM curve),
- General equilibrium in the product market and the money market

Unit 6: Inflation **LH 14**

- Meaning and types of inflation
- Measurement of inflation through consumers price index (CPI)
- Demand pull inflation and cost push inflation: concept and causes
- Effects of Inflation
- Anti inflationary measures
- Inflation and unemployment: Phillips curve
- Concepts of Deflation and Stagflation
(Numerical exercise)

Unit 7: Business Cycles **LH 8**

- Concept, types and characteristics of business cycle
- Phases of business cycle
- Measures to control business cycle

Unit 8: Monetary Theory **LH 15**

- Money supply: Concept and determinants
- Demand for money: Keynesian approach
- Money market and capital market: Meaning and function
- Monetary Policy: Concept, types, objectives and instruments of monetary policy
- Exchange rate: Determination of equilibrium exchange rate under fixed and flexible exchange rate system

Unit 9: Government Finance **LH 15**

- Government budget: Concept, classification, and component and Government budget
- Deficit financing: Concept, objectives and methods of deficit financing
- Fiscal policy: Concept, types, objectives and instruments of fiscal policy

Unit 10: Contemporary Issues (with reference to Nepal) **LH 25**

- Privatization, Liberalization and Globalization: Concepts, benefit and defects
- Foreign direct Investment: Benefit, defects and current status of Nepal
- Economic growth and Development: Concept and sources of economic growth
- Foreign employment: Benefits, defects and current status of Nepal
- Poverty: Concept, types, causes and remedies
- Economic inequality: Concept, causes and remedies

Suggested Books

Ackley, Gardener. (1978). ***Macroeconomics: Theory and Policy***. New York: Mac Milan Publishing Co.

Ahuja, H.L. (1997). ***Macroeconomic Theory and Policy***. New Delhi: S. Chand and Company

Branson, William H. (1992). ***Macroeconomic Theory and Policy***. New Delhi: Universal Book Stall

Dornbusch, Rudiger and Stanley Fischer. (1981). ***Macroeconomics***. New York: McGraw-Hill Book Company

Dwivedi, D.N. (2001). ***Macroeconomic Theory and Policy***. Tata McGraw-Hill Publishing Company Limited, New Delhi

Jhingan, M.L. (2004). ***Macroeconomics***. New Delhi: Vrinda Publication (P) Ltd.

Joshi, Shyam. (2012). ***Business Economics***. Kathmandu: Taleju Prakashan

Mankiw, N. Gregory. (2009). ***Principles of Macroeconomics***. Cent age Learning India Private Limited, New Delhi (4th edition)

Publications of NRB, CBS, MOF

Shapiro, Edward. (2004). ***Macroeconomic Analysis***. New Delhi: Galgotia Publication (P) Ltd.

Singh, S.K. (1996). ***Public Finance in Theory and Practice***. New Delhi: S. Chand and Company Ltd.