

**KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI**

<u>BS (BBA) – VI</u>	
Course Title	: MACRO ECONOMICS
Course Number	: BA(BS) – 502
Credit Hours	: 03

Course Contents

1. Markets for Factor of Production

- 1.1. Factor Prices and Incomes
- 1.2. Labor Markets
- 1.3. Labor market power
- 1.4. Capital markets
- 1.5. Natural Recourse Markets
- 1.6. Economic Rent, Opportunity cost and Taxes

2. Aggregate Output, Prices, and Economic Growth

- 2.1. Calculate and explain gross domestic product (GDP) using expenditure and income approaches;
- 2.2. Compare the sum-of-value-added and value-of-fail-output methods of calculating GDP;
- 2.3. Compare nominal and real GDP and calculate and interpret the GDP deflator;
- 2.4. Compare GDP, national income, personal income, and personal disposable income;
- 2.5. Explain the fundamental relationship among saving, investment, the fiscal balance, and the trade balance;
- 2.6. Explain the IS and LM curves and how they combine to generate the aggregate demand curve;
- 2.7. Explain the aggregate supply curve in the short run and long run;
- 2.8. Explain causes of movements along and shifts in aggregate demand and supply curves;
- 2.9. Describe how fluctuations in aggregate demand and aggregate supply cause short-run changes in the economy and the business cycle;
- 2.10. Distinguish between the following types of macroeconomic equilibrium: long-run full employment, short-run recessionary gap, short-run inflationary gap, and short-run stagflation;
- 2.11. Explain how a short-run macroeconomic equilibrium may occur at a level above or below full employment;
- 2.12. Analyze the effect of combined changes in aggregate supply and demand on the economy;

- 2.13. Describe sources, measurement, and sustainability of economic growth;
- 2.14. Describe the production function approach to analyzing the sources of economic growth;
- 2.15. Distinguish between input growth and growth of total factor productivity as components of economic growth.

Contents

GDP, GNI, NNI
Omissions
Output, Expenditure and Income
Prices
Putting in Context

3. Economic Growth and The Investment Decision

- 3.1. Compare factors favoring and limiting economic growth in developed and developing economies;
- 3.2. Describe the relation between the long-run rate of stock market appreciation and the sustainable growth rate of the economy;
- 3.3. Explain why potential GDP and its growth rate matter for equity and fixed income investors;
- 3.4. Distinguish between capital deepening investment and technological progress and explain how each affects economic growth and labor productivity;
- 3.5. Forecast potential GDP based on growth accounting relations;
- 3.6. Explain how natural resources affect economic growth and evaluate the argument that limited availability of natural resources constrains economic growth;
- 3.7. Explain how demographics, immigration, and labor force participation affect the rate and sustainability of economic growth;
- 3.8. Explain how investment in physical capital, human capital, and technological development affects economic growth;
- 3.9. Compare classical growth theory, neoclassical growth theory, and endogenous growth theory;
- 3.10. Explain and evaluate convergence hypotheses;
- 3.11. Describe the economic rationale for governments to provide incentives to private investment in technology and knowledge;
- 3.12. Describe the expected impact of removing trade barriers on capital investment and profits, employment and wages, and growth in the economies involved.

Contents

The Basics of Economic Growth
Economic Growth Trends
The Sources of Economic Growth
Growth Accounting
Growth Theories

4. Understanding Business Cycles

- 4.1. Describe the business cycle and its phases;
- 4.2. Describe how resource use, housing sector activity, and external trade sector activity vary as an economy moves through the business cycle;

- 4.3. Describe theories of the business cycle;
- 4.4. Describe types of unemployment and measures of unemployment;
- 4.5. Explain inflation, hyperinflation, disinflation, and deflation;
- 4.6. Explain the construction of indices used to measure inflation;
- 4.7. Compare inflation measures, including their uses and limitations;
- 4.8. Distinguish between cost–push and demand–pull inflation;
- 4.9. Describe economic indicators, including their uses and limitations;

Contents

Mainstream and Real Business cycle theories

5. Unemployment and Inflation

- 5.1. Jobs and Wages
- 5.2. Unemployment and Full Employment
- 5.3. The consumer Price index
- 5.4. Inflation Cycles and Theories
- 5.5. Inflation and unemployment: The short and long run Phillips Curve

6. Aggregate Supply and Aggregate Demand

- 6.1. Production and prices
- 6.2. The macroeconomic long run and short run
- 6.3. Aggregate supply
- 6.4. Aggregate Demand
- 6.5. Macroeconomic Equilibrium
- 6.6. Macroeconomic School of Thoughts

7. Monetary and Fiscal Policy

- 7.1. Compare monetary and fiscal policy;
- 7.2. Describe functions and definitions of money;
- 7.3. Explain the money creation process;
- 7.4. Describe theories of the demand for and supply of money;
- 7.5. Describe the Fisher effect;
- 7.6. Describe roles and objectives of central banks;
- 7.7. Contrast the costs of expected and unexpected inflation;
- 7.8. Describe tools used to implement monetary policy;
- 7.9. Describe the monetary transmission mechanism;
- 7.10. Describe qualities of effective central banks;
- 7.11. Explain the relationships between monetary policy and economic growth, inflation, interest, and exchange rates;
- 7.12. Contrast the use of inflation, interest rate, and exchange rate targeting by central banks;
- 7.13. Determine whether a monetary policy is expansionary or contractionary;
- 7.14. Describe limitations of monetary policy;
- 7.15. Describe roles and objectives of fiscal policy;
- 7.16. Describe tools of fiscal policy, including their advantages and disadvantages;
- 7.17. Describe the arguments about whether the size of a national debt relative to GDP matters;
- 7.18. Explain the implementation of fiscal policy and difficulties of implementation;

- 7.19. Determine whether a fiscal policy is expansionary or contractionary;
- 7.20. Explain the interaction of monetary and fiscal policy

8. Fiscal Policy

- 8.1. The Supply side: Employment and potential GDP
- 8.2. The Supply side: Investment, saving and growth
- 8.3. Generational Effects of Fiscal policy
- 8.4. Stabilizing the Business cycle

9. Money Price Level and Inflation

- 9.1. What is money?
- 9.2. Depository institutions
- 9.3. How Banks create Money
- 9.4. Market for money
- 9.5. Quantity theory of Money

10. Monetary Policy

- 10.1. Monetary policy objectives and Framework
- 10.2. The conduct of monetary policy
- 10.3. Monetary policy transmission
- 10.4. Alternative monetary policy Strategies

11. An Overview of Central Banks

- 11.1. Central banks and the monetary policy
- 11.2. Inflation Targeting
- 11.3. Inter-Central Bank Cooperation

Recommended Books:

- 1. Karl, E. C. & Ray, C. F. (2007). *Principles of Economics*, 8th Edition, Prentice Hall.
- 2. McConnell, C. & Bruce, S. (2009). *Economics*. McGraw-Hill.
- 3. Michael, P. (1990). *Economics*. Addison-Wesley.
- 4. Samuelson, P. A. & Nordhaus, W. D. (2010). *Economics*. McGraw-Hill Inc.
- 5. CFA Curriculum