

MGT 209: Macroeconomics for Business

Full Marks: 100

Lecture hours: 150

Pass Marks: 35

Course Objectives:

Macroeconomics for Business aims to enhance understanding of macroeconomic principles and Nepalese macroeconomic situation to the Bachelor level students. It will help to inculcate the skills incorporating different macroeconomic domain in assessment of nature of business environment.

Course Description:

This course of macroeconomics makes students skilled to understand macroeconomic concepts, theories and contemporary macroeconomic issues pertinent in Nepal. This course comprises an introduction to macroeconomics, national income accounting, the classical theory of employment, Keynesian macroeconomics, IS-LM model, inflation, business cycles, monetary theory and policy, government finance and fiscal policy, the global economy and contemporary issues in references to Nepal.

Learning Outcomes:

By the completion of the course students will be able to:

- Explain the nature of macroeconomics and macroeconomic variables; explain the concepts and difficulties of measuring national income and calculate the national income by product, income and expenditure methods.
- Derive consumption function, saving function, investment function, investment multiplier, government expenditure multiplier, tax multiplier, foreign trade multiplier, IS curve and LM curve and determine the equilibrium level of income and employment in Classical, Keynesian and IS-LM model.
- Describe the concepts and causes of inflation, deflation, stagflation and business cycles; assess their effect and identify the measures of reducing their consequences in business.
- Describe the concept and structure of financial market, monetary policy, government finance, fiscal policy and fiscal federalism, in reference of Nepal and explore the effect of change in monetary policy and fiscal policy in equilibrium level of national income.
- Explain the effect of global and regional economy in Nepalese economy in reference to exchange rate, balance of payments, foreign direct investment and foreign employment and explain contemporary macroeconomic issues in Nepalese perspective.

Course Details:

Unit 1: INTRODUCTION TO MACROECONOMICS

LH 6

Macroeconomics: concepts, scope, uses and limitations; and Macroeconomic concepts: stock and flow variables; equilibrium and disequilibrium; static and dynamic equilibrium analysis.

Unit 2: NATIONAL INCOME ACCOUNTING

LH 20

Circular flow of income and expenditure in two sector, three sector and four sector economy; Different concepts of national income: GDP, NDP, GNP and NNP at market price and factor cost, personal income (PI), disposable personal income (DI), per capita income (PCI); Real GDP, nominal GDP and GDP deflator; Computation of national income: product method,

income method and expenditure method; and Difficulties in the measurement of national income. *Numerical Exercise*

Unit 3: CLASSICAL THEORY OF EMPLOYMENT **LH 6**

Unemployment: concept and types; Say's law of market: concept, assumptions and implications; and Classical theory of employment: assumptions, components and criticisms.

Unit 4: KEYNESIAN MACROECONOMICS **LH 30**

Principle of effective demand; Consumption function: concepts, psychological law of consumption, technical attributes and determinants; Saving function: concepts, technical attributes and determinants; Paradox of thrift; Investment function: concept and types of investment, marginal efficiency of capital, investment demand curve and determinants of investment; Income and output determination in the two-sector economy; Investment multiplier: concept, income generation process and leakages; Income and output determination in three sector and four sector economy; and Derivation of government expenditure multiplier; tax multiplier and foreign trade multiplier. *Numerical Exercise*

Unit 5: IS-LM Model of INCOME DETERMINATION **LH 7**

Derivation of IS curve and product market equilibrium; Derivation of LM curve and money market equilibrium; General equilibrium in the product market and the money market; and Shifts in IS and LM curves (change in monetary and fiscal policies) and effects on equilibrium. *Numerical Exercise*

Unit 6: INFLATION AND BUSINESS CYCLES **LH 18**

Inflation: concepts and types; Measurement of inflation through consumer's price index (CPI) and GDP deflator; Demand-pull inflation and cost-push inflation; Concept of core inflation; Effects of inflation; Anti-inflationary measures; Inflation and unemployment: Phillips curve and stagflation; Deflation: concept and causes; Nature, causes and effect of inflation in Nepal; Business cycles: concepts, characteristics and phases; and Measures to control business cycles. *Numerical Exercise*

Unit 7: MONETARY THEORY **LH 16**

Money supply: concepts and determinants; Money market and capital market: concepts and functions; Structure of financial market in Nepal; Monetary Policy: concepts, types, objectives and instruments; and Features of current monetary policy of Nepal.

Unit 8: GOVERNMENT FINANCE**LH 15**

Government budget: Concepts and components; Deficit financing: concept, objectives and methods; Sources of government revenue in Nepal, Government expenditure of Nepal; Features of current government budget of Nepal; Fiscal policy: concepts, types, instruments and objectives; and Fiscal federalism: concepts, components and Nepalese practice.

Unit 9: GLOBAL ECONOMY**LH 17**

Global economy: concept and current trends; Globalization: concepts, drivers, benefits and defects; Regional integration and trading blocs: concepts and role; Issues of Nepali foreign trade; Exchange rate: concept and types; Determination of equilibrium exchange rate under fixed and flexible exchange rate system; Balance of payments: concept and BOP accounts; Foreign direct investment: concepts, benefits, defects and current status of Nepal; and Foreign employment: benefits, defects and current status of Nepal.

Unit 10: CONTEMPORARY MACROECONOMICS ISSUES IN NEPALESE PERSPECTIVES LH 15

Macroeconomic indicators of Nepal; Privatization and liberalization: concepts, benefits and defects; Economic growth and development: concepts and components; Sources of economic growth; Poverty: concepts, types, causes and remedies; Economic inequality: concepts, causes and remedies; Public private partnership: concepts, importance and Nepalese practice; and Financial inclusion: concepts, determinants and current Nepalese status.

Suggested Readings:

Dwivedi, D.N. *Macroeconomic Theory and Policy*. New Delhi: Tata McGraw-Hill Publishing Company Limited. Latest Edition.

Kumar, R. and Gupta, K. *Business Economics: Applications and Analysis*. New Delhi: UDH Publishers and Distributers (P) Ltd .Latest Edition.

Slowman, J. and Sutcliffe, M. *Economics for Business*. New Delhi: Pearson Education. Latest Edition.

Shreshtha, R.G., Adhikari, G.M. and Paudel, R.K. *Macroeconomics for Business*. Kathmandu: KEC Publications. Latest Edition

Abel, A.B. and Bernanke, B.S. *Macroeconomics*. New Delhi: Pearson Education. Latest Edition

McConnell, C.R., Brue, S. L., Flynn, S. M. and Grant, R. *Economics*. New Delhi: McGraw Hill. Latest Edition.

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

Mithani, D.M. *Money, Banking, International Trade and Public Finance*. Mumbai: Himalayan Publishing House. Latest Edition.

Shapiro, E. *Macroeconomic Analysis*. New Delhi: Galgotia Publication (P) Ltd. Latest Edition.

Shah, R. K. *Public Economics (Vol-2)*. Kathmandu: Ekta Books. Latest Edition.

Bista, R.B. *Economics of Nepal*. Kathmandu: New Hira Books Enterprises. Latest Edition

Yoshio, N. and Morgan, P. J. (2017). *Financial Inclusion, Regulation and Education*. Tokyo: Asian Development Bank Institute.

Suggested Publications:

Publications of Nepal Rastra Bank, Central Bureau of Statistics, Ministry of Finance, National Planning Commission, IMF, World Bank, Asian Development Bank.