

**KARACHI UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI**

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

**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*, 8<sup>th</sup> 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