

Macroeconomics

Level: Bachelor of Arts

Full Marks: 100

Year: II

Pass Marks: 40

Code: Econ. 423

Teaching Hrs: 150

Paper: III

Course Objectives:

The objectives of this course are to familiarize the fundamental concept of macroeconomics. After the completion of this course, students will be able to understand, explain and use the concept of national income accounting, classical macroeconomics, basic Keynesian model, business cycle and growth models in daily lives.

Units	Contents	Hours
I: Introduction	Concept and scope of macroeconomics; Basic macroeconomic terms: Static, comparative static, dynamic equilibrium, stock and flow; Application of macroeconomics in policy analysis.	10
II: National Income Accounting	Concept and importance of national income accounting (NIA); Economic aggregates: GDP, NDP, GNP, NNP, personal income, and disposable income; Measurement of national income: Value added, income and expenditure approaches; Measurement of GDP in Nepal; Difficulties in measurement of national income; Circular flow of income: Two and three sectors.	20
III: Classical Macroeconomics	Classical macroeconomics: Assumptions, Say's law of market, labour market equilibrium, quantity theory of money and price determination, interest rate determination; Classical model-Determination of income and employment without saving and investment, and its critical assessment.	15
IV: Basic Keynesian Models	Evolution of Keynesian macroeconomics; Principle of effective demand; Equilibrium level of income in two and three sectors economy; Multiplier analysis in two and three sectors economy: Derivation, uses, and leakage; Critical assessment of Keynesian models.	15
V: Consumption	Meaning of consumption and consumption function; Propensity to consume: APC and MPC in short run and long run; Determinants of consumption; Importance of consumption in demand management; Keynesian psychological law of consumption.	15

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VI: Saving and Investment	<p>Saving: Meaning of saving and saving function; Propensity to save; Relationship between APS and MPS in short run and long run; Determinants of saving, paradox of thrift.</p> <p>Investment: Meaning of investment and investment function, Classification, determinants of private investment, investment demand; Marginal efficiency of capital (MEC) and its determinants; Marginal efficiency of investment (MEI); Measures to increase investment; Principle of acceleration; Role of saving and investment in economic growth; Status of saving and investment after 1990s in Nepal.</p>	25
VII: Extended Keynesian Models	Concept of money demand and money supply; Liquidity preference theory; IS-LM Model: Concept, product market equilibrium, derivation of IS curve, money market equilibrium, derivation of LM curve; General equilibrium of the economy using IS and LM curves.	20
VIII: Business Cycle	Concept and phases of business cycle; Theories of business cycle: Schumpeter, Hawtrey, and Hayek; Measures to control business cycle; Global recession of 2007/08.	15
IX: Economic Growth	Concept and importance of economic growth; Computation of growth rates; Harrod-Domar Models and its application in planning; Factors leading to economic growth; Growth scenario of Nepal (after 1990).	15

References

- Ahuja, H. L. (2008). *Macroeconomics: Theory and policy (advanced analysis)*. New Delhi: S. Chand & Company Ltd.
- Central Bureau of Statistics (2007). *Manual in National Income Accounts*. Kathmandu: CBS, National Planning Commission.
- Dornbush, R. & Fischer, S. (1987). *Macroeconomics*, 4th edition. New York: McGraw Hill Book Company.
- Froyen, R. T. (2003). *Macroeconomics: Theories and policies*, 7th edition, New Delhi: Pearson Education.
- Gyanwaly, R. P. (2017). Macroeconomic performance of Nepal. *In Political Economy of Nepal*. Edited by R. P. Gyanwaly. Kathmandu: Central Department of Economics T.U. & FES, Germany.
- Vaish, M. C. (Recent edition). *Macroeconomic theory*. New Delhi: Vikas Publishing House.

