



Code	Subject Title	Cr. Hrs	Semester
ECON-102	Principles of Macro Economics	3	II
Year	Discipline		
1	Business Administration, Economics		

Objectives

The course is designed for the beginners with no formal background or little acquaintance with economics. The objective is to give the students with a clear understanding of the basic concepts, tools of analysis and terminologies used in macroeconomics. Emphasis will be on the use of graphs, diagrams and numerical tables/schedules for exposition. The teacher is expected to draw examples from the surrounding world to clarify the concepts.

Course Contents**Introduction**

The economy in aggregate, Complexities of the world of business, Scope of macroeconomics, Brief account of the development of macro-economics after the World War-II, Concept of business cycles: Boom and Depression, Concepts of Inflation and Unemployment, Macroeconomic variables and their mutual relationship, Macro-models as abstraction from the real economy.

National Income

Definition and concept of national income, Measures of national income: Gross Domestic Product (GDP) and Gross National Product (GNP), GDP at factor cost and at market prices, Computation of national income: Product, Income and Expenditure approaches, Circular flow of income, Nominal versus Real income, Per capita income and the standard of living.

Components of Aggregate Demand

The Concept of Open and closed economy models, Concept of aggregate markets: Product, Money, Labor and Capital markets, Components of aggregate demand: Consumption, Investment and Government spending, Income and expenditure identities.

Money and Banking

Money: definition, forms and functions, Central Bank and its functions with reference to the State Bank of Pakistan, Commercial banking, The Quantity Theory of money, Inflation: measurement and impacts, causes of inflation and remedies, Monetary policy: brief introduction.

Public Finance and Taxation

Sources of public revenue, Various forms of taxes: Direct and Indirect, Income and Commodity taxes, Sales, Excise, Customs, Non-tax revenues, Major heads of public expenditure, Revenue and Capital account, Concept of budget deficits and sources of filling the gaps, Deficit financing, Fiscal policy: meaning and objectives.

International Trade

Global distribution of resources, Concept of imports and exports, Theory of absolute and comparative advantage, Currency exchange rates, Balance of Payments: causes of

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deficits in BOP of Pakistan and remedial measures, Custom Unions,
The problem of external debt, Commercial Policy: objectives and scope.

Recommended Books

- Mankiw, G – Principles of Economics – 2nd Edition (2001) – South-West Publishers.
 - Samuelson and Nordstrom – Economics – 18th Edition (2004) – McGraw Hill, Inc.
 - Parkin, Michael – Macroeconomics, 7th Edition (2004) – Prentice Hall.
 - Miller, R.L. – Economics Today – 14th Edition (2005) – Addison Wesley.
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