



B.Ed(4 Years) Elementary Education

Code	Subject Title	Cr. Hrs	Semester
EDE- 153	Economics III (Macro Economics & Economic)	3	
Year	Discipline		
	Elementary Education		

Aims

This course acts as a foundation for the following semesters. The course aims to help the students increase their proficiency in Economic by enhancing their knowledge in the subject.

Objectives

Upon the successful completion of this course the students will be able to:

- Understand and explain the foundations of Economics
- Apply their knowledge in different situations
- Develop a sense of understanding the trends and issues of Economics

Syllabus

Macro Economics and Economic Development of Pakistan Macroeconomics

1. A Framework for Macroeconomics

Macro Economics vs Micro Economics. Macro Economics Problems: Unemployment, Inflation and Growth.

2. Determination of National Income and Employment(two sector economy):

- i. The Classical Theory Employment:
Say's Law of markets. Aggregate Demand and the Quantity theory of money. Real wage function. Classical macroeconomics system. Its Diagrammatic representation. Keynesian critique of the Classical system.
- ii. Keynesian theory of Income and Employment.
Equilibrium level of National income: Saving and Investment Approach: Consumption and investment Approach. Relation between Investment and Income. Investment Multiplier. Inflationary and deflationary Gaps and full employment level.

3. Determination of National Income (Two Sector Economy)

- i. Consumption
Consumption and saving Function. Keynesian psychological law of consumption. Determinants of consumption. Explanation of the observed relationship between consumption and income: Relative income, Permanent income and life cycle Theories of consumption.
- ii. Investment:
Investment and capital determinants of investment. Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI). Optimal level of investment. The Principles of Acceleration.

4. General Equilibrium in the Goods and Money Market

The derivation of IS function in the goods market. The slope and position of its curve. The derivation of LM function in the money market. The demand for the supply of money. The interest rate. The slope and position of LM curve. Simultaneous equilibrium in the goods and money market. Adjustments towards equilibrium.

1. Fluctuations in National Income

Business cycles and their main features. Interaction of multiplier and accelerator. Counter cyclical measure.

2. Monetary influence on income determination

Monetary policy: Its nature, Objectives and Instrument. Influence of Monetary Policy on income determination (by affecting C+I+G). Money and Inflation Stagflation.

3. Fiscal Policy and Income Determination

Fiscal Policy: Its Nature, Objectives and Instrument. The Impact of Government Expenditure, Taxes and Transfer Payments in the Equilibrium level of National Income.

4. International Trade and Income Determination

Theory of Comparative Advantages. Classical and Heckscher-Ohlin Theory. Balance of payments, Disequilibrium and Adjustment policies. Devaluation and Re-valuation, Depreciation and appreciation of exchange rates. Determination of national income in a four-sector economy. The foreign trade multiplier and changes in the level of income.

Text Books/ Reference Material

- Chiang, A. C., & Wainwright, K. (2005). *Fundamental Methods of Mathematical Economics*: McGraw-Hill.
- Rader, T. (2014). *Theory of Microeconomics*: Elsevier Science.
- Sen, A. (2000). *Microeconomics: theory and applications*. OUP Catalogue.
- A Hamid Shahid Text Book for B.A Part I,II, Ilmi Publishers, Lahore.
- Abdul Ghani Ch. Rehbar-e-Muashiat. Qurashi Publisher, Lahore.
- Muhammad Hussain Ch. Dr. Nazriat-e-Muashiat.