

	<u>Subject title:</u> MACROECONOMICS			
<u>Subject code:</u>	<u>Subject Status:</u>	<u>Semester:</u>	<u>Credit value:</u>	<u>Teaching load:</u>
MBS/MA	Compulsory	II	7	3L+2T

<u>Study programme:</u> Academic Undergraduate Studies: Financial Management/Marketing
<u>Responsible Staff:</u> Marija Janković, PhD
<u>Pre-requisite:</u> Nil
<u>Mode of study</u> Lectures, tutorials, seminar papers, consultations, case studies, simulations, group work
<u>Assessment:</u> Written: 2 mid-term tests = 50 points Oral: Final exam = 25 points Attendance = 10 points Seminar paper, Student participation = 15 points
<u>Objectives:</u> Analysis and understanding of the concepts and categories of Macroeconomics

SYLLABUS:

- Microeconomics. Macroeconomics. Gross domestic product (GDP). A simplified model of economy. Definitions of GDP. Production, income and spending model of GDP
- GDP components. Real GDP. Nominal GDP. GDP deflator. Living costs measurement. Problems in living costs measurement.
- GDP deflator and retail prices index. The purpose of measuring the general level of prices. Real and nominal interest rates. Production and growth. Productivity. Economic growth and government policy.
- The importance of savings and investments. The importance of education, property rights and political stability. The importance of free trade, research and development. Financial system institutions. Financial markets and financial intermediaries.
- Savings and investments in national income accounts. Supply and demand of loan funds. Incentives for saving. The effects of changes to tax policy. The effect of changes to tax incentives. The effect of surplus-deficit of state budget.
- Time value of money. Measurement of future value of money. Measurement of current value of money. Risk management. Risk diversification. Property value assessment.
- Unemployment and unemployment measurement. Job searching and unemployment. The impact of minimal wage. Trade union and collective negotiation. Theory of efficient wages.
- The meaning of money. Measuring the money quantity. Central monetary institution. Banks and money supply. Money multiplier. Instruments of monetary control.

- Money growth and inflation. Price level and the value of money. Determining the value of money. Monetary balance. Monetary injection and adaptation process. Classical dichotomy and monetary neutrality.
- Speed of money circulation. Inflation tax and Fisher effect. Inflation costs. Macroeconomics of open economy. Export, import and net export. Net capital outflow.
- Equality of net export and net capital outflow. Savings, investments and their relation to international flows. Trade surplus and deficit and balanced trade balance. Real and nominal exchange rate. Purchase power parity. Macroeconomic theory of open economy.
- Foreign exchange market. Balance in open economy. State surplus-deficit, impact on the macroeconomics of open economy. Trade policy. Political instability and capital flight. Economic fluctuations.
- Short-term economic fluctuations and aggregate supply and demand. Aggregate demand curve. Shift of aggregate demand curve. Long-term aggregate supply. Short-term aggregate supply. Shift of aggregate supply curve.
- Effects of aggregate demand shift. Effects of aggregate of supply shift. Monetary policy and aggregate demand. Money supply and demand. Fiscal policy and aggregate demand. Displacement effect and tax changes.
- Inflation and unemployment. The Philips curve. Short-term Phillips curve and expectancy effect. The role of supply shock. Costs of inflation reduction.

READING LIST AND REFERENCES:

Gregory Mankiw, *The Principles of Economics*; 7th Edition, 2014.