



BA 101

**MACROECONOMICS**

Approved: Minutes No12 of 20.09.2023

Lecturer: Prof. M. Neycheva, PhD

**ANNOTATION**

Macroeconomics is a field of the economic theory which focuses on the overall economic activity, processes and problems. The course introduces the basic terms and definitions as well as the fundamental principles and issues in the science of macroeconomics.

**MAIN OBJECTIVES AND LEARNING OUTCOMES**

The course aims at developing knowledge about how the market-oriented economies operate. Specifically, students are expected:

1. To get an understanding of the main macroeconomic problems such as inflation, unemployment, business cycle
2. To develop knowledge of the main measures of national product, national income and other macroeconomic aggregates
3. To get insight into how the main markets - the product market, the market for production inputs, the financial market – function and interact with each other.
4. To gain exposure to the goals, mechanism and consequences of macroeconomic policies particularly budgetary, monetary and supply-side policies.

**PREREQUISITES**

No preliminary knowledge in the field of economic sciences is required for this class as it is fundamental in nature.

**STATUS AND STRUCTURE**

Module	Status	Credits	Full time/Distance Learning				Part time			
			L	S	P	Total	L	S	P	Total
International Business and Management (in English)	Mandatory	6	30	30		30			30	

**COURSE CONTENT****1. Economics like a Science**

Methodology of Economics. Macroeconomics and Microeconomics. Normative vs. Positive statements. Economic models. Main Schools of thought in the contemporary economic theory

**2. Main definitions in Economics**

Production process and production inputs. The problem of scarcity. Production possibilities and production possibility frontier. Opportunity costs and the Law of increasing marginal opportunity costs.

Economic growth – definition, characteristics, factors and types of growth. Limits to growth.

Main economic questions. Types of economic systems – traditional, centrally-planned, market and mixed economy. Government's intervention in the market economies. Behavior and economic functions of Government.

### 3. Market – main definitions, characteristics, mechanisms

Definition and features of the market. Demand, Demand curve, Law of demand, factors influencing market demand, shifts in the demand curve. Supply, Supply curve, Law of supply, factors influencing market supply, shift in the supply curve

Market equilibrium and market mechanism. Surplus and deficit. Market clearing (equilibrium) price. Market shocks. The mechanism of movement from one to another state of equilibrium. The price system and allocation of resources and economic goods.

The market, price controls and taxes. Consequences. Non-formal Economy. The distribution of the tax between the buyer and the seller. Elasticity and its main measures. Factors influencing elasticity

### 4. Foundations of Macroeconomics

Main macroeconomic issues. Macroeconomic problems, objectives and macroeconomic policy tools. Economic sectors. The circular-flow diagram of an economy. Types of markets and economic agents.

Fundamental issues and concepts in Macroeconomics: a level and rate of growth of aggregate output, high level of employment and low unemployment rate, price stability in free markets, equilibrium of export and import, exchange rate stability. Economic policy tools which could be used for the realization of these goals.

### 5. Measuring macroeconomic activity

National product and its measures – Gross national product and Gross domestic product; Net national product and Net domestic product. Nominal vs. real measures. What does and what doesn't GDP include? Double counting and ways to escape from it. Methods for measuring National product. National product vs. welfare (well-being).

Measures of Income: National income, Personal income, Disposable income

### 6 The Classical Macroeconomic Model

Basic principles of the Classical Macroeconomic Theory. Say's Law. 1929/33 crisis. Keynes criticism against Classical theory

### 7. Foundations of the Keynesian economic theory

Main definitions. Components of Aggregate expenditure. Consumption, consumption function, average and marginal propensity to consumption, factors of consumption. Permanent income hypothesis and life cycle income hypothesis. Investment expenditure – types of investment spending, factors of investments, investment function. Government purchases and taxes. Government budget. Net export.

Aggregate spending and equilibrium income level. Aggregate market. The model of aggregate demand and aggregate supply. Aggregate equilibrium.

### 8. Macroeconomic Problems

Economic cycle. Factors of economic cycles. Historical retrospection of the cyclical economic development. Business cycle: phases and consequences. Business cycle forecasting. Economic indicators and barometers. Alternative approaches to business cycle – Classical vs. Keynesian approach. Anti-cyclical policies.

Inflation – definition, reasons, types and consequences. Index of prices. Consumer basket. Inflationary burden – measurement and allocation among population groups. Anti-inflationary policies. Anticipated and unanticipated inflation.

Employment and unemployment. Measures and types of unemployment. Labor force mobility. Alternative views on the causes of unemployment. The unemployment-inflation tradeoff. The Philips curve: graphical representation, short-run vs. long-run variety.

### 9. General Characteristics of the Keynesian macroeconomic model

Multiplier effects. Expenditure multiplier and tax multiplier

### 10. Budgetary (Fiscal) Policy

Definition and principles of fiscal policy. Fiscal policy as an instrument for a regulation of the aggregate demand and supply. Tax burden. Budgetary policy crowding-out effect. The Laffer curve. The stimulating and suppressing effects of the tax rate.

Fiscal policy tools and types. Automatic (built-in) fiscal stabilizers. Difficulties in fiscal policy application

### 11. Money and Banking System

Definition, characteristics and functions of money. Quantity of money measurement. Monetary aggregates of the European Central Bank. Quasi money.

Banking system. Banks and money supply. The process of money creation. Deposit multiplier and money multiplier. Monetary base. Central Bank and trade banks. Central bank's functions. Bank's reserves. Tools for control over the money supply. Central Bank under a Currency Board Arrangement. Money supply. Money demand – definition, types and factors. Money market and its impact on the overall economic activity.

#### 12. Monetary Policy

Monetary policy tools. The nature of interest rate. Factors influencing the interest rate level. Monetary (Keynesian) transmission mechanism. Central Bank's role for the currency circulation management. Types of monetary policy. Quantity theory of money. Problems in monetary policy application.

#### 13. Interaction between monetary and fiscal policy

Channels, forms and results of the interaction between fiscal and monetary policy. Government debt and government deficit, money market, crowding-out. Methods for deficit financing. Printing money and inflation. The classical and the Keynesian view on the monetary and fiscal policy: practical implications. Macroeconomic equilibrium. IS-LM model. The reconciliation of the two approaches.

## PLANNED LEARNING ACTIVITIES AND METHODS OF INSTRUCTION

Full-text lectures, presentations, video lessons, case studies, problems.

## ASSESSMENT METHODS

The semester (midterm) exam consists of two modules: a coursework and a test. On the basis of the term grade, students could be exempt from the final exam. Students who have passed one of the two modules but fail the other, are exempt from re-taking the module they have passed, but must re-take the failed module. The methods of assessment, the deadlines as well as the grading scale are presented in details in the e-course published in the e-learning platform.

## CORE READING LIST

1. Neycheva, M. Macroeconomics. Moodle platform, Burgas Free University, <https://e-learn.bfu.bg/course/index.php?categoryid=68>.

## FURTHER READINGS

2. Mankiw, G. (2022) Macroeconomics. 11<sup>th</sup> Ed., Worth Publishers.
3. Mankiw, G. (2014) Principles of Economics. 9<sup>th</sup> Ed., South-Western College Publishing.
4. Mankiw, G., Greg Mankiw's Blog: Random observations for students of Economics., <http://gregmankiw.blogspot.com/>.
5. McConnell, C., S. Brue., S. Flin (2017) Macroeconomics. 21<sup>st</sup> Ed., Mc Graw-Hill Education.
6. The Economist Magazine, <http://www.economist.com/>



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**EXAM TOPIC LIST**

Approved:

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- 6 The Classical Macroeconomic Model
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6. The Economist Magazine, <http://www.economist.com/>.