

Asian Institute of Technology
School of Management
Professional Masters in Banking and Finance (PMBF)

Economics for bankers

Course Objective:

The objective of this course is to provide conceptual and analytical skills for students who are interested in microeconomic and macroeconomic management. For Microeconomic, economic theory and tools of analysis of decision science to examine how an organization can achieve its aims or objectives most efficiently are introduced. Understanding both economic theories – in terms of both demand and supply-side analysis – and economic tools/techniques is essential for a firm/manager to make the best operating and planning decisions. Macroeconomics is the study of the economy that attempts to answer the key following questions: why have some countries experienced rapid growth in income? Why do some countries have high rates of inflation? Why do some countries experience recessions and depression? Which instruments should policymakers use to ensure macroeconomic stability? Understanding macroeconomics is crucial for policymakers since changes in macro policy have a great deal to the overall economy. Misunderstanding macroeconomic linkages and impacts of such a policy could lead the economy into recession.

Learning Outcomes:

It is expected that this course will enable students to (during and at the end of this course):

1. Understand market forces, consumer demand, each component of producer theory and cost theory.
2. Link economic theory on markets, demand, production and cost to real-world situations
3. Analyze the impacts of macroeconomic policy change to an economy
4. Understand the determinants of key macroeconomic variables in developing countries, e.g. aggregate demand, aggregate supply, and exchange rates
5. Analyze the transmission mechanism of shocks among developing countries and how government/private firms should responses to such shocks.

Course Outline:

- I. Demand Theory



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BANKING AND FINANCE

1. The individual and market demand
2. The price elasticity (Point and Arc)
3. The income elasticity
4. The cross-price elasticity
5. Implications of elasticity in managerial decisions

II. Production Theory

III. Market Structure

1. Market structure
2. Market prices and output under perfect competition
3. Market prices and output under monopoly market
4. Market prices and output under monopolistic competition
5. Market prices and output under oligopoly

IV. Determinants of Aggregate Demand

1. Consumption
2. Investment
3. Government
4. Exports
5. Imports

V. Determinants of Money and Capital Markets

1. Determinants
2. Channels: how it affects other sectors in an economy

VI. Determinants of exchange rates (nominal and real)

1. Determinants
2. Channels: how it affects other sectors in an economy

VII. Determinants of Inflation

1. Determinants
2. Channels: how it affects other sectors in an economy

VIII. Economic Integration

Learning Resources:

Textbook(s):

Mankiw, N.G:

Principles of Microeconomics, South-Western CENGAGE Learning, International Edition: 6th Edition, 2012.

Mankiw, N.G:

Intermediate Macroeconomics: International Student Edition for the Asia Pacific, Worth Publishers, Palgrave Macmillan, 7th Edition, 2010.

Salvatore, D.:

Managerial Economics: Principles and Worldwide Application, Oxford University Press, International Seventh Edition, 2012.

Reference Books:

Jongwanich, J (2007):

Exchange Rate Regimes, Capital Account Opening, and Real Exchange Rates: Evidence from Thailand, Nova Science, New York.

Athukorala, C and K. Sen (2002):

Saving, Investment and Growth in India, Oxford University Press.

Eichengreen, B. (2002):

Financial Crises and what to do about them, Oxford University Press.

Key Journals:

J. Jongwanich (2010), 'The Determinants of Household and Private Saving in Thailand', *Applied Economics*, 42 (8): 965-76.

J. Jongwanich (2010), 'Determinants of Export Performance in East and Southeast Asia', *World Economy* 33 (1): 20-41.

Jongwanich, J (2010) "Determinants of Export Performance in East and Southeast Asia", *World Economy* 33 (1): 20-41.

J. Jongwanich and D. Park (2011), 'Inflation in developing Asia: pass-through from global food and oil price shocks', *Asian-Pacific Economic Literature*, 25 (1): 79-92.

Athukorala P and J. Menon (2010), "Global Production Sharing, Trade Patterns and Determinants of Trade Flows in East Asia", *ADB Working Paper Series on Regional Economic Integration* No.41, ADB

Magazines:

Business Newspaper
The World Bank Economic Review
Occasional Papers, IMF
World Economic and Financial Surveys, IMF

Teaching and Learning Methods: lectures, classroom exercises, and presentations, and home assignments.

Time Distribution and Study Load: Specify the number of hours for lectures, tutorials/exercises, laboratory, case study, fieldwork, home study, etc. For every one-hour lecture, students are expected to spend at least three hours of self-study.

Lecture:	30 hours
Tutorials/Exercises:	35 hours
Case study:	15 hours
Home study:	100 hours

Evaluation Scheme:

The final grade will be computed from the following constituent parts:

Project (paper, presentation, discussion)	40%
Final exam	60%

Grading system

Grade	Definition	Grade Points
A	<i>Excellent.</i> Thorough knowledge and mastery of concepts and/or techniques together with a high degree of skill and/or great originality in satisfying the requirements of a piece of work or course.	4.00
B+	<i>Very Good.</i> Thorough knowledge and mastery of concepts and/or techniques together with a fairly high degree of skill in the use of those concepts and techniques in satisfying the requirements of a piece of work or course.	3.50
B	<i>Good.</i> Good level of knowledge or mastery of concepts and/or techniques with a considerable skill in using them in satisfying the requirements of a piece of work or course.	3.00
C+	<i>Near Competent.</i> Level of knowledge or mastery of concepts and/or techniques requires more efforts to satisfy the requirements of a piece of work or course.	2.50
C	<i>Deficient.</i> Level of knowledge or mastery of concepts and/or techniques requires intensive efforts to satisfy the requirements of a piece of work or course.	2.00
D	<i>Highly Deficient.</i> Knowledge or mastery of concepts and /or techniques and understanding of the subject matter unacceptably low.	1.00
F	<i>Failing.</i> Very poor with very limited knowledge or limited mastery and understanding of concepts and/or techniques; comprehension of the subject matter is very limited.	0
I	<i>Incomplete.</i> Course may be completed at a later time without prejudice	-

Instructor(s): Faculty/Visiting Faculty/Adjunct Faculty of School of Management