

**Economics Special II  
Macroeconomic Analysis**

**Semester III**

**Subject Code: A31610**

**Lectures:60**

**Objectives:**

- To enhance the students' understanding of the basic theoretical framework of Macroeconomics.
- To strengthen the understanding of macroeconomic concepts among the students.
- To equip the students with the necessary analytical tools to analyze the real life economic situations.

**Unit 1: Circular Flow of Income**

**06**

- Firms, Households, Government, Banks as Economic Agents in the Closed Economy
- External Sector and the Open Economy.
- Circular Flow of Income - a Two-sector Model and a Three- sector economy
- Circular Flow of Income in an Open Economy – a Four sector model
- Withdrawals and Injections in a Circular Flow of Income
- Condition of Equilibrium Level of Income

**Unit 2 : National Income**

**12**

- Concepts
  - GDP , GNP, NNP, NDP, National Income, PI, PDI, Per Capita Income
  - GDP at factor cost and GDP at market price,
  - Nominal GDP and Real GDP



- Numerical Problems
- Methods of measuring National Income
- Importance of National Income
- Difficulties and Limitations in measuring National Income
- National Income as a measure of Economic Welfare

**Unit 3 : Classical and Keynesian Theories of Income and Employment**

10

- Say's Law of Market
- Keynes Criticisms of Say's Law of Market
- Keynesian Theory of Employment
  - Aggregate Supply Function, Aggregate Demand Function and Determination of Effective Demand
  - Under-employment Equilibrium
- Comparison between Classical and Keynesian Principles of Economics

**Unit 4 : Consumption Function**

08

- Concepts of Consumption Function, APC and MPC
- Determinants of Consumption Function
- Concepts of Savings Function, APS and MPS
- Keynes Psychological Law of Consumption- implications of the law
- Numerical Problems



**Unit 5 : Investment Function :**

12

- Concept of Investment Function
- Types of Investment
- Concept of Marginal Efficiency of Capital and Factors affecting Marginal Efficiency of Capital
- Theory of Investment Multiplier
- Importance, Leakages and Limitations of the Theory of Multiplier
- Numerical Problems
- Principle of Acceleration
- A Concept of Super-multiplier

**Pre-course Reading:**

- Introduction to Macroeconomics
- Meaning and Nature of Macroeconomics
- Scope and Limitations of Macroeconomics

**Recommended Text Books:**

- A.B.Abei, B.S. Bernake, D. Croushore (2011) 'Macroeconomics' Pearson Education; 7<sup>th</sup> edition
- Ahuja H.L. (2010) 'Macroeconomics Theory and Policy' S.Chand and Co. New Delhi, 16<sup>th</sup> edition
- August Swanenberg (2005) 'Macroeconomics Demystified' A Self Teaching Guide McGraw Hill
- Dwivedi D.N. (2010) 'Macroeconomics- Theory and Policy' The McGraw Hill Companies, New Delhi, 3<sup>rd</sup> edition
- Fisher S and Dornbusch (1998) 'Economics' McGraw Hill International Book Co.; 2<sup>nd</sup> edition
- Gordon R. and Harris S.G. (1998) 'Macroeconomics and Economics' Addison Wesley Pearson
- Mankar V.G. etc. (1978) 'Business Economics', Himalaya Publishing House



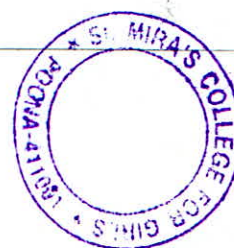


- Mankiw Gregory (2007) 'Macroeconomics' Worth, New York *Pearson*
- Richard T Froyen (2006) 'Macroeconomics – Theories and Policies' Pearson Education; 8<sup>th</sup> edition
- Shapiro Edward (1990) 'Macroeconomic Analysis' Galgotia Publications , New Delhi, 5<sup>th</sup> edition
- SoumyenSikdar (2006) 'Principles of Macroeconomics' Oxford University Press

**\*Assignments and library hours – 12 hours**

**Reference Books:**

- Ackley G.(1978) 'Macroeconomics Theory and Policy' Collier Macmillan International Student Edition,
- Begg, Fischer, Dornbusch (1994) 'Economics'; McGraw Hill Book Company, 4<sup>th</sup> Edition
- Damodaran Suma (2006) 'Managerial Economics' Oxford University Press; New Delhi.
- D.Wrightsmen 'An Introduction to Monetary Theory and Policy' The Free Press New York 1983
- Eugene A. Diulio (1998) 'Schaum's Outline of Theory and Problems of Macroeconomics' Tata McGraw Hill Publishing Company Ltd.; New Delhi. 3<sup>rd</sup> edition
- F.S. Brooman(1970) 'Macroeconomics' George Allen and Unwin ,London.
- Fisher, Dornbusch and Schmalensee (1988)'Economics' McGraw Hill International Edition ; 2<sup>nd</sup> edition
- Fisher and Stanley (1988) 'Economics' McGraw Hill Companies; 2<sup>nd</sup> edition
- Harrison b. Smith C. and Davies B.(1992) 'Introductory Economics' Macmillan Press Ltd. London
- Jha R.(1991) Contemporary Macroeconomic Theory and Policy' New Age International (P) Ltd. New Delhi.



**Economics Special II  
Macroeconomics**

**Semester IV**

**Subject Code: A41610**

**Lectures:60**

**Objectives:**

- To enhance the students' understanding of the basic theoretical framework of Macroeconomics.
- To strengthen the understanding of macroeconomic concepts among the students.
- To equip the students with the necessary analytical tools to analyze the real life economic situations.

**Unit 1 : Money and Supply of Money**

**12**

- Concept of Money
- Evolution of Money
- Characteristics of Money
- Functions of Money
- Value of Money
- Supply of Money and Determinants of Money Supply
- Credit Creation by Commercial Banks
- Credit Control Measures by the Central Bank
- RBI's New Money Measures

**Unit 2 : Demand for Money**

**08**

- Classical approach (Fisher) to Demand for Money
- Neoclassical Approach (Cambridge) to Demand for Money
- Keynesian approach to Demand for Money - Transaction, Precautionary and



Speculative Demand for Money

**Unit 3 : Inflation and Deflation**

12

- Concepts of Inflation, Deflation and Stagflation
- Types of Inflation
- Demand Pull and Cost Push Inflation
- Causes and Effects of Inflation
- Causes and Effects of Deflation

**Unit 4 : Business Cycles**

08

- Business Cycles: Meaning and Features
- Types of Business Cycles – Kitchin, Juglar, Kondratieff, Building Cycle, Kuznetz
- Phases of Business Cycles
- Hawtrey's Theory of Business Cycles
- Keynesian Theory of Business Cycles
- Control of Business Cycles- relative efficacy of Monetary and Fiscal Policies

**Unit 5 : Macroeconomic Objectives and Policies**

08

- Objectives of Macroeconomic Policies: Price Stabilisation, Full Employment and Economic Growth, Social Justice
- Monetary and Fiscal Policies – Meaning, Definitions, Instruments, and Limitations

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- Lipsey ,R.G. and Chrystal ,A.(2010) 'Economics' Oxford University Press; 19<sup>th</sup> edition
- Lloyd G Reynolds(1982) 'Macroeconomics' Richard D. Irwin Inc. 4<sup>th</sup> edition
- Paul Samuelson and William Nordhaus (2010) 'Economics' McGraw Hill Book Company ; 19<sup>th</sup> Edition
- Mankiw Gregory (2007) 'Economics :Principles and Applications' Cengage Learning India, New Delhi
- Mankiw N.G. and Romer D. (1991) New Keynesian Economics (2 volumes) MIT Press Cambridge.

