

**Macroeconomics**  
**Business Economics- Macro**

**Semester: III**

**Subject Code: C31603**

**Lectures: 60**

**Objectives:**

At the end of the Semester, a student opting for the paper : Business Economics (Macro) should be equipped to understand –

- The basic theoretical framework underlying the field of Macroeconomics
- The macroeconomic concepts with the help of numerical problems and graphical presentations.
- The importance of macroeconomic variables and their relevance to everyday life.

**Unit 1: Introduction to Macroeconomics**

8

- Introduction to Macroeconomic Concepts-
  - Equilibrium and Disequilibrium
  - Macro Static and Macro Dynamic
  - Endogenous and Exogenous Macro Variables
- Macroeconomics-
  - Meaning, Nature and Scope of Macroeconomics
  - Importance and Limitations of Macroeconomics
  - Paradoxes of Macroeconomics

**Unit 2: National Income**

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- Meaning of National Income
- Circular Flow of Income – 4 Sector Model, Withdrawals and Injections
- Gross Domestic Product(GDP) and Gross National Product(GNP)
- Net Domestic Product(NDP) and Net National Product (NNP)
- National Income at Market Price and National Income at Factor Cost
- National Income at Current Prices and National Income at Constant Prices
- Personal Income,(PI) and Disposable Income(DI)



- Methods of measurement of National Income
- Difficulties in the measurement of National Income
- Numerical Examples

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

10

- Classical Theory of Income and Employment-
- Concept of Full Employment
- Features of Classical Theory of Income and Employment
- Say's Law of Markets; Pigou's Wage Cut Theory
- Limitations of Classical Theory
- Features of Keynesian Theory of Income and Employment
- Principle of Effective Demand-Aggregate Demand Function(ADF) & Aggregate Supply Function(ASF)
- Underemployment Equilibrium.

**Unit 4: Consumption Function & Savings Function**

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- Meaning of Consumption Function
- Keynes' Psychological Law of Consumption
- Average Propensity to Consume (APC) & Marginal Propensity to Consume (MPC);
- Savings Function- Average Propensity to Save (APS) & Marginal Propensity to Save (MPS);
- Factors affecting Consumption Function
- Motives for Savings
- Post Keynesian Developments- Absolute Income, Relative Income and Permanent Income Hypothesis

**Unit 5: Investment Function**

8

- Investment Multiplier-



- Concept, Working, Assumptions
- Leakages and Limitations of Multiplier
- Investment Function –
  - Marginal Efficiency of Capital(MEC) and Rate of Interest
  - Factors affecting Marginal Efficiency of Capital(MEC)
- Principle of Acceleration
- Multiplier- Accelerator Interaction

\*Assignments and library hours – 12 hours

#### Recommended Text Books:

- Ahuja, H.L (2008)-“ *Macroeconomic Theory & Policy*”, S.Chand & Co., N.Delhi.
- Dwivedi, D.N(2008)-“ *Macroeconomics Theory and Policy*” Seventh Reprint, Tata McGraw Hill Publishing Co. Ltd., N.Delhi.
- \* ● Misra, S.K & Puri, V.K “*Modern Macroeconomic Theory*”, latest ed, Himalaya Publishing House, Mumbai.
- \* ● Misra, S.K & Puri, V.K (2007)-“ *Business Economics*” Himalaya Publishing House, Mumbai.
- Seth M.L ( latest ed.)-“ *Macroeconomics*”, L. N. Agarwal Publishers, Agra.
- Vaish, M.C -“*Macroeconomic Theory*”, WishwaPrakashan (A division of Wiley Eastern Ltd.), N. Delhi, latest ed.

#### Reference Books:

- C.R. McConnell and H.C. Gupta (1987)-“*Introduction to Macroeconomics*”, Tata McGraw Hill Publishing Company, N.Delhi.
- Paul Samuelson and William Nordhaus-“*Economics*”, latest ed. McGraw Hill Book Company.
- F.S. Brooman (1971)-“*Macroeconomics*”, George Allen and Unwin, London.



- Harvey, J and Johnson, M (1971)–“*Introduction to Macroeconomics*”, Macmillan Press Ltd.
- Lipsey, R. G. & Chrystal, A. “*An Introduction to Positive Economics*” ELBS, latest ed, Oxford Univ. Press.
- Suraj B. Gupta “*Monetary Economics*”, S. Chand and Co., New Delhi, latest ed..
- D. Wrightsman(1983)- “*An Introduction to Monetary Theory and Policy*”, The Free Press, New York.
- Ackley,G(1978)-“*Macroeconomic Theory*”, Collier Macmillan Publishers.
- Shapiro, E(1984)-“*Macroeconomic Analysis*”, Galgotia Publications, New Delhi.
- Fisher, S & Dornbusch, R (1983)-“*Economics*”, McGraw Hill International Book Co.
- Fischer S, Dornbusch R & Schmalensee R(1988)-“*Economics*”, Second International edition, McGraw Hill Book Co.
- Begg D, Fisher S & Dornbusch R-“*Economics*”, 3<sup>rd</sup>ed, McGraw Hill Book Co.
- Hubbard R. Glenn & O'Brien, Anthony Patrick (2006)- “*Macro Economics*”, Pearson Education Ltd.
- Sloman, John & Sutcliffe, Mark (2004)-“*Economics for Business*”, 3<sup>rd</sup> Ed. Pearson Education Ltd.
- Eugene A. Diulio: Schaum's Outline of “*Theory and Problems of Macroeconomics*”, 3<sup>rd</sup>ed. Tata Mc-Graw Hill Publishing Company Ltd., New Delhi.

**Macroeconomics**  
**Business Economics- Macro**

**Semester: IV**

**Subject Code: C41603**

**Lectures:60**

**Objectives:**

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- The basic theoretical framework underlying the field of Macroeconomics
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- The importance of macroeconomic variables and their relevance to everyday life.

**Unit 1: Money I**

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- Meaning, Evolution and Functions of Money
- Supply of Money-Concept and Determinants of Money Supply
- Role of Commercial Banks- Credit Creation
- Role of Central Bank- Credit Control

**Unit 2: Money II**

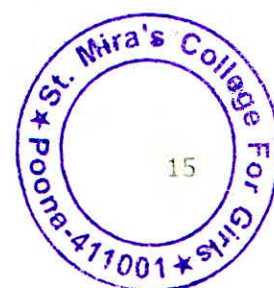
**8**

- Demand for Money- Meaning
- Keynesian Approach-Motives for Liquidity Preference- Liquidity Trap
- Value of Money-Meaning
- Quantity Theory of Money-
  - Fisher's Approach
  - Cambridge Approach

**Unit 3: Inflation and Deflation**

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- Inflation – Meaning and Definition
- Types of Inflation



- Concepts of Stagflation and Reflation
- Demand- Pull Inflation and Cost- Push Inflation
- Causes and Effects of Inflation
- Deflation – Meaning, Causes and Effects of Deflation

**Unit 4: Trade Cycles**

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- Meaning, Types and Features of Trade Cycles
- Phases of Trade Cycles
- Causes of Trade Cycles
- Control Of Trade Cycles

**Unit 5: Public Finance**

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- Meaning, Scope and Importance of Public Finance
- Comparison Between Public Finance and Private Finance
- Principle of Maximum Social Advantage
- Public Revenue – Tax and Non- Tax Revenue; Meaning and Features of Tax, Impact, Shifting and Incidence of Tax; Direct and Indirect Taxes
- Public Expenditure – Meaning and Types; Causes of rising Public Expenditure
- Budget – Concept, Composition, and Types of Budget

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- Musgrave R.A(1959), “*The Theory of Public Finance*”,International Student ed, McGraw Hill Co.
- Sundaram, KPM &Andley, K.K(2001)-“ *Theory and Practice of Public Finance* ”, S.Chand&Co.N.Delhi.

