

## SEMESTER - II

### MAJOR – II

## INTRODUCTORY MACROECONOMICS

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### Learning Objectives of the Course

**Unit I:** The objective is to understand and estimate national income and its measurement techniques and determine the income flow in various economic sectors to recognize the significance of national income as an indicator of the well-being of an economy.

**Unit II:** The objective of this unit is to assess the impact of price on goods and services in economics that offers the real GDP and real worth of money to manage the rate of interest in the economy, and to comprehend the price control technique of goods and services. The unit also offers to gain insights about various forms of inflation, deflation, and the trade-off between inflation and unemployment.

**Unit III:** Unit III objectives are to explain fundamental ideas of classical theory; critically analyse the classical theory of income and employment and understand simple Keynesian model

**Unit IV:** The objective of Unit IV is to demonstrate fundamentals of money supply, the functions of the commercial and central banks of India, and their approaches to credit management.

**Unit -I: National Income Accounting:** Definitions of National Income, Concepts of GDP, GNP, NDP and NNP at factor cost and at market price, GNI; Circular flow of income (Two sector and Four Sector), Approaches to measuring National Income, Difficulties in the measurement of National Income, Numerical examples. Price indices: CPI, WPI and GDP deflator, Nominal GNP and real GNP, Personal Income, Personal Disposable Income and Personal Savings, National income as a measure of welfare, Stock and Flow Concepts.

**Unit -II: Simple Classical and Keynesian Theory:** Basic ideas of Classical Macroeconomics; Say's Law and Quantity Theory of Money, Loanable fund theory; The Classical Theory of Income and Employment determination; full Employment and wage-price flexibility; Classical Dichotomy and Neutrality of Money, The Great Depression of 1930s – failure of classical theory and the Keynesian revolution.

Components of Effective Demand and determination of Equilibrium Income in a closed and open economy, with and without government, Simple Keynesian Model in a closed economy, Stability of equilibrium, Multiplier Effects: Expenditure Multipliers, Balanced Budget Multiplier and Tax Rate Multiplier and Dynamic Multiplier.

**Unit -III: Inflation and Unemployment:** Concepts inflation and deflation, DPI and CPI - Inflationary gap- Bent Hansen's dynamic demand-pull inflation model, Philips curve (short run and long run) and the role of inflation - Natural rate of unemployment – Role and Effects of inflation, Anti- inflationary policies — Ackley's mark- up inflation.

**Unit-IV: Money and Banking:** Concept of money and money supply, Structure and functions of Commercial Banks, Credit creation by commercial banks, Money multiplier, Structure and functions of Central Banks, Credit Control Methods of Central Bank.

### **Recommended Readings:**

1. Ackley, G. (1978), Macro Economics: Theory and Policy, Macmillan publication.
2. Branson, William H. (1979) Macro-Economic Theory and Policy, HarperCollins Publishers, New York.
3. Dornbush, R and S.Fischer (2018) - Macro Economics, Mc Graw Hill, New York.
4. Dwivedi, D. N. Macroeconomics, Tata McGraw Hill Pvt. Ltd., (Latest edition).
5. Froyen: Macroeconomics- Theory and Policy, Pearson Education
6. Ghosh, Chandana & Ghosh, Amber: Macroeconomics, PHI Learning, (CTB)
7. N. Gregory Mankiw: Macroeconomics, Worth Publishers.
8. Olivier Blanchard: Macroeconomics, Pearson Education, Inc., 5th edition, 2009.
9. Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.
10. Sarkel, Jaydev(2015): Macro Economic Theory, Book Syndicate Publishers, Kolkata.
11. Shapiro, Edward (1987): Macro Economics Analysis, Galgotia Publication, New Delhi
12. Sikdar,S – Principles of Macroeconomics, Oxford University Press. (CTB).