

Semester II
B.A. (Honours) Economics
C 3: INTRODUCTORY MACROECONOMICS (6 Credits)
Full marks: 100 (Mid Term-20 + End Term-80)

Course Description

This course aims to introduce the students to the basic concepts of Macroeconomics. Macroeconomics deals with the aggregate economy. This course discusses the preliminary concepts associated with the determination and measurement of aggregate macroeconomic variable like savings, investment, GDP, money, inflation, and the balance of payments.

Units		No. of Lecture hours	No. of Tutorial hours	Marks
1	Introduction to Macroeconomics Macro vs. Micro Economics; Scope and limitations of Macroeconomics; Introduction to National Income - Concepts of GDP, GNP, NDP and NNP at market price and factor cost; Personal Income and Disposable personal Income; Real versus Nominal GDP, GDP Deflator. GDP and Welfare; Limitation of the GDP concept.	15	3	16
2	Rules and approaches of Measurement of GDP - Income, expenditure, product and Value added approaches, Difficulties of Estimating National Income, Circular Flow of Income and expenditure in two and four-sector economy; national income accounting for an open economy.	15	3	16
3	Definition and Functions of money; quantity theory of money – cash transactions and cash balance approaches, Friedman’s restatement of the quantity theory; Demand for Money – Classical, Neoclassical and Keynesian Approaches(Pre Keynesian, Keynesian, Friedman), The Keynesian Liquidity Trap and its Implications; Determination of money supply; credit creation, Supply of Money	15	3	16
4	Inflation – meaning, types, causes and effects; demand-pull and cost-push inflation; Inflationary gap; Deflation – meaning, effects; Inflation Vs. deflation; Hyperinflation– causes of hyperinflation, costs of hyperinflation; Anti-Inflationary Measures - Monetary policy and Fiscal policy. Cyclical Fluctuations: Trade cycle, Meaning and its Stages	15	3	16
5	Classical systems-Say’s Law, Theory of Determination of Income and Employment; Keynesian systems- Simple	15	3	16

	Keynesian model of income determination; Aggregate Demand and Aggregate Supply, equilibrium aggregate output; Product market and the IS curve, Money Market and the LM curve, Determination of Equilibrium income and interest rate: the IS-LM model; fiscal and monetary multipliers.			
Total		75	15	80

Reading List:

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11th edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics*, Worth Publishers, 7th edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5th edition, 2009.
4. Richard T. Froyen, *Macroeconomics*, Pearson Education Asia, 2nd edition, 2005.
5. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7th edition, 2011.
6. Errol D'Souza, *Macroeconomics*, Pearson Education, 2009.
7. Paul R. Krugman, Maurice Obstfeld and Marc Melitz, *International Economics*, Pearson Education Asia, 9th edition, 2012.