

Semester III
B.A. (Non-Honours) Economics
Core 3: PRINCIPLES OF MACROECONOMICS-I (6 Credits)
Full marks: 100 (Mid Term-20 + End Term-80)

Course Description

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This course introduces students to the basic concepts in Macroeconomics. Macroeconomics deals with the aggregate economy. In this course the students are introduced to the definition, measurement of the macroeconomic variables like GDP, consumption, savings, investment and balance of payments. The course also discusses various theories of determining GDP in the short run.

Units		No of Lecture hours	No of Tutorial hours	Marks
1	<p>Introduction</p> <p>Macro vs. Micro Economics; Nature and scope of Macroeconomics; Basic Macroeconomic issues: determinants of the overall level of output, control of business cycles, relation between output and inflation, sources of economic growth, what role of government in an economy; Major schools of thought in macroeconomics; Microeconomic thinking and Macroeconomic models; Historical performance of the Indian economy; Limitations of Macroeconomics.</p>	10	1	10
2	<p>National Income Accounting</p> <p>Concepts of GDP and National Income; stock and flows; nominal and real income; GDP deflator; approaches to measurement of national income – income method, expenditure method and value added method; Difficulties of Estimating National Income, Circular Flow of Income; limitations of the GDP concept.</p>	15	3	15
3	<p>Determination of GDP</p> <p>The classical theory of output and employment; the Keynesian theory of output and employment; Actual and potential GDP; aggregate expenditure; consumption function; investment function; equilibrium GDP; concepts of MPS, APS, MPC, APC; autonomous expenditure; Concept of multiplier.</p>	20	4	20
4	<p>National Income Determination in an Open Economy with Government</p> <p>Fiscal Policy: impact of changes in government expenditure and taxes; net exports function; net exports and equilibrium national income.</p>	10	3	15
5	<p>Money in a Modern Economy Definition and Functions of money; Monetary aggregates; Demand for money: quantity theory of money – cash transactions and cash balance</p>	20	4	20

	approaches, Friedman's restatement of the quantity theory; liquidity preference and rate of interest; The Keynesian Liquidity Trap and its Implications; Determination of money supply; credit creation; monetary policy – meaning, objectives and tools.			
Total	75	15	80	

Reading List:

1. Case, Karl E. & Ray C. Fair, *Principles of Economics*, Pearson Education, Inc., 8th edition, 2007.
2. Sikdar, Shoumyen, *Principles of Macroeconomics*, 2nd Edition, Oxford University Press, India
3. Mankiw, N. Gregory. *Macroeconomics*, Worth Publishers, 7th edition, 2010.
4. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11th edition, 2010.