2nd SEMESTER

ECONOMICS ELECTIVE (GENERAL)

Code (Paper) : ET-5-ECO-201

Title : MACROECONOMIC THEORY

Total Marks: 100 Credit: 5

No. of classes: 112

Objectives: The objectives of this paper are to develop the understanding of the student to some of the basic concept of economics, to enhance their knowledge so that they can analyze different theoretical issues and their practical application.

Unit I:- Difference between micro and macro economics, subject matters of macro economics, growth of macro economics, concepts of GDP, GNP and National Income; Calculation of GDP, GNP and National Income; Nominal and real GDP. Limitation of GDP concept. GNP and welfare. (22 classes) Unit II:- Theory of Money: Demand and supply of money, value of money, measurement- index number as a measure of value of money, determination of value of money- Quantity Theory: Fisher and Cambridge equations, Keynesian Approaches: Money and Price Theory; Concept of Inflation, Deflation and Stagflation. (22 classes)

Unit III:- Theories of Employment and Income: Classical Theory of Employment and Income; Keynesian Theory of Employment and Income; Investment function; Consumption function; Theories of Consumption function: Absolute Income, Relative, Permanent Income and Life Cycle Hypotheses. (22 classes)

Unit IV: - Banking: Types and role of banks, commercial banking, function, credit creation, concept of nonperforming assets, Rural Banking – objectives and importance; Central banking- function and role, principles of note issue, credit control measures: bank rate, open market operations, variables reserve ratios, and selective credit control measure.

(23 classes)

Unit V: - International Trade and Balance of Payment Analysis: Adam Smith’s theory of absolute advantage, Ricardo’s Theory of comparative advantage, free trade vs. protection, Globalization, Liberalization and international trade, Meaning of balance of payments and balance of trade, determination of equilibrium exchange rate. International Monetary Fund (IMF), World Bank, World Trade Organisation. (23 classes)

*Reading List:*

*1. Lawrence Harris: Monetary Theory, McGraw Hills.*

*2. Paul, R.R.: Monetary Economics, Kalyani Publishers.*

*3. Hajela, P.D.: Problems of Monetary Policy in Underdeveloped Economy, Kitab Mahal Allahabad.*

*4. Sinha, R.K.: Monetarism versus Keynesianism, Deep & Deep Publications.*

*5. Rana & Verma: Macroeconomic Theory, Vishal Publishers.*