2nd SEMESTER

ECONOMICS CORE (MAJOR)

CODE (PAPER) : CT-5-ECO-201

TITLE: MACROECONOMIC THEORY

Total Marks: 100 Credits: 5

No. of class: 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: - Scope of Macro Economics- Emergence of macro economics, Need for a separate theory of macro economics, major sector of an economy,

National Income Accounting: Concept of Gross Value addition and Net Value addition; GDP, GNP and National Income; Approaches to calculate GDP. Nominal and Real GDP: GDP and welfare; Limitation of GDP concept; Personal Income and Disposable Personal Income, Circular flow of income.

(22 Classes)

Unit II: - Theories of Aggregate Income and Employment: The Classical Theory of Employment, Keynesian Theory of Employment and Income- Aggregate Demand and Aggregate Supply functions; Determination of aggregate price level: Classical and Keynesian, Say’s Law of Market

(22 Classes)

Unit III: - Theories of Consumption Function and Investment Function: Theories of Consumption Function: Absolute Income, Relative, Permanent Income and Life Cycle Hypotheses; Basic concepts of investment: Gross and Net, Induced and Autonomous: Marginal Efficiency of capital and rate of investment; Marginal Efficiency of Investment; Investment Multiplier.

(23 Classes)

Unit IV: - Rate of Interest and IS-LM Analysis: Determination of Interest rate: Classical and Keynesian; Product Market and IS curve, Money Market and LM curve, Determination of equilibrium income and interest rate: the integrated model; features of IS and LM curves; Effectiveness of Monetary and Fiscal policies in IS-LM framework.

(23 Classes)

Unit V: - Exploring the Macroeconomics of an Open Economy: Open and closed economy; Economic openness, openness in Indian economy, Balance of Payment (BOP) - the current and capital account; basic accounting rule, Equilibrium and disequilibrium of BOP, Adjustment of BOP- the monetary approaches to BOP. (22 classes) *Reading List:*

1. *Lawrence Harris: Monetary Theory, McGraw Hills.*
2. *Paul, R.R.: Monetary Economics, Kalyani Publishers.*
3. *Dronbusch, Fisher and Startz: Macroeconomics Theory, Tata McGraw Hills.*
4. *Rana & Verma: Macroeconomics Theory, Vishal Publishers.*