



**Macroeconomics**  
**Macroeconomic Theory and Policy**  
**[Core Course]**

**Semester: III**

**Credits: 3**

**Subject Code: C32103**

**Lectures: 48**

**Course Outcomes:**

At the end of this course, the learner will be able to:

- Relate and describe the macroeconomic variable and macroeconomic policy
- Recognize and demonstrate concepts relating to National Income, Consumption Function, Savings Function and Keynesian Multiplier along with numerical illustrations
- Explain and analyze the concept of Aggregate Demand and Underemployment Equilibrium and interpret real-life situations
- Apply and analyze the macroeconomic policy in real-life situations

**Unit 1: Macroeconomic Variables and Macroeconomic Policy**

**08**

- Macroeconomic Variables- Meaning and Types
  - Stock Variable and Flow Variables; Nominal Variables and Real Variables; Autonomous Variables and Induced Variables, Exogenous Variables and Endogenous Variables
- Concepts of Equilibrium and Disequilibrium, Partial Equilibrium and General Equilibrium
- Static Analysis and Dynamic Analysis
- Macroeconomic Policy: Scope, Objectives and Formulation

**Unit 2: The Circular Flow of Income and Expenditure and National Income**

**14**

- The Circular Flow of Income in a Closed Economy
- The Circular flow of Income in an Open Economy
- National Income-Meaning and Concepts
- Measurement of National Income- Measures and Difficulties in measurement
- National Income Data, Economic Policy and Social Welfare
- Numerical Problems- Concepts and Measurement

**Unit 3: Theory of Income and Employment (Keynesian Theory)**

**12**

- The Principle of Effective Demand
- Aggregate Demand and Aggregate Supply
- Underemployment Equilibrium
- Keynesian Economics-The Economics of Depression

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#### Unit 4: Theory of Aggregate Consumption and Theory of Investment

14

- Consumption Function and Saving Function
  - Concept of APC and MPC, Concept of APS and MPS
  - The Psychological Law of Consumption, Numerical Problems
- Factors affecting Consumption Function; Motives for Savings
- The Keynesian Multiplier
  - Concept of Multiplier, Assumptions & Leakages, Calculation
- Investment Function
  - Determinants of Investment Demand, Factors affecting Investment Demand
  - Decision to Invest- Marginal Efficiency of Capital and Interest Rate

**#12 contact hours for Assignments, Visits, Research, Field Studies, etc.**

#### Recommended Basic Reading:

- Agarwal Vanita (2018) 'Macroeconomics Theory and Policy' Pearson
- Ahuja, H.L (2016) " *Macroeconomic Theory & Policy*", S. Chand & Co., ND
- Dwivedi, D.N (2018) " *Macroeconomics Theory and Policy*" Tata McGraw Hill Pub Co. Ltd., N. Delhi
- Sivakumar s. N.V (2019) 'Macroeconomics and Policy for Managers: An Indian Perspective' Cengage Learning India

#### Recommended Reference Books:

- Baumol a W. J, Blinder A. S. (2009) 'Macroeconomics Theory and Applications' Cengage Learning [Latest Reprint 2015]
- Froyen Richard T (2013) Macroeconomics Theories and Policies, Pearson Educators
- Hubbard R. Glenn & O'Brien, Anthony Patrick (2017)- " *Macro Economics*", Pearson Education
- Sloman, John & Sutcliffe, Mark (2004) " *Economics for Business*", 3<sup>rd</sup> Ed. Pearson Education Ltd.

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**Macroeconomics**  
**Macroeconomic Theory and Policy**  
**[Core Course]**

Semester: IV

Credits: 3

Subject Code: C42103

Lectures: 48

**Course Outcomes:**

At the end of this course, the learner will be able to:

- Explain the theoretical framework relating to the Demand for and Supply of money and its implications in real-life situations
- Relate to and describe the Inflation and Deflation and the phenomena of trade cycles
- Analyze the macroeconomic policies of Money Supply, Trade Cycles, Value of Money and analyze its implications
- Recognize and interpret the various concepts of public finance and apply in real-life situations- public revenue, public expenditure and public debt, fiscal policy, budget and deficits

**Unit 1: Money**

12

- Demand for Money: The Keynesian Approach to Demand for Money;
  - Motives for Liquidity- Transactions Motive, Precautionary Motive & Speculative Motive
  - Liquidity Trap
- Money Supply:
  - Role of Commercial Banks in Credit Creation – Process of Credit creation
  - Role of Central Bank in Credit Control- Measures of Credit Control

**Unit 2: Inflation and Deflation**

12

- Inflation
  - Features and Types, Causes
  - Demand- Pull Inflation and Cost- Push Inflation
  - Economic and Social Effects of Inflation
  - Inflation in India - Wage-Push Inflation, Supply Shock Inflation, Inflation and Food Scarcity, Resource and Infrastructural Bottlenecks, Social and Political Factors
  - Policy of Inflation Targeting in India
- Deflation
  - Meaning and Effects of Inflation and Deflation

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### Unit 3: Trade Cycles

12

- Characteristics and Types
- Theories of Trade Cycle
  - The Pure Monetary Theory (R.G Hawtrey Theory)
  - The Innovation Theory (J. A. Schumpeter's Theory)
  - The Keynesian Contribution to Trade Cycle Theory
- Phases of a Trade Cycle
- Global Economy and Trade Cycles
- Policy measures to control Trade Cycles- Anti-Cyclical measures to Stabilization

### Unit 4: Public Finance

12

- Public Finance: Meaning and Definition
- Public Revenue- Sources, Types of Taxes, Impact and Incidence of a Tax, Shifting of Tax
- Systems of Taxation-Proportional Taxation and Progressive Taxation-Concept
- Public Expenditure- Classification
- Public Debt-Classification
- Fiscal Policy-Objectives in Developing Countries
- Budget-Composition and Types, Concept of Gender Budget
- Budget Deficit- Meaning and Types

**#12 contact hours for Assignments, Visits, Research, Field Studies, etc.**

#### Recommended Basic Reading:

- Agarwal Vanita (2018) 'Macroeconomics Theory and Policy' Pearson
- Ahuja, H.L (2016) " *Macroeconomic Theory & Policy*", S. Chand & Co., ND
- Bhatia H.L (2000) "Public Finance " S. Chand & Co, ND
- Dwivedi, D.N (2018) " *Macroeconomics Theory and Policy*" Tata McGraw Hill Publishing Co. Ltd., N. Delhi
- Sivakumar s. N.V (2019) 'Macroeconomics and Policy for Managers: An Indian Perspective' Cengage Learning India
- Vaish, M.C (2010) " *Macroeconomic Theory* ", Vikas Publishing House, ND

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- Hubbard R. Glenn, O'Brien, Anthony Patrick (2017) " *Macro Economics* ", Pearson

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Education

- Hyman David N (2003) 'A Contemporary Application of Theory to Policy' Cengage Learning
- Sloman, John & Sutcliffe, Mark (2004) "Economics for Business", 3<sup>rd</sup> Ed. Pearson Education Ltd.
- Sundaram, KPM & Andley, K.K (2001) 'Theory and Practice of Public Finance', S. Chand & Co. N. Delhi
- Ulbrich Holley H (2003) ' Public Finance in Theory and in Practice' S. Chand & Co. ND

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