



Central University of Himachal Pradesh

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DHARAMSHALA, DISTRICT KANGRA – 176215
HIMACHAL PRADESH
www.cuhimachal.ac.in



Department of Economics School of Social Sciences

Course Code: ECN 406
Course Name: Basics of Macroeconomics
Faculty: Dr Babburu Venkateshwarlu

Credits: 2 Credits (One credit is equivalent to 10 hours of lectures / organised classroom activity / contact hours; 5 hours of laboratory work / practical / field work / Tutorial / teacher-led activity and 5 hours of other workload such as independent individual/ group work; obligatory/ optional work placement; literature survey/ library work; data collection/ field work; writing of papers/ projects/dissertation/thesis; seminars, etc.)

Course Objectives

- Familiarize students with the basic concepts of Macroeconomics
- Enable the students to understand the functioning of the macro economy
- Developing critical skills to understand the implications of macroeconomic policies

Attendance Requirements: Students are expected to attend all lectures in order to be able to fully benefit from the course. A minimum of 75% attendance is a must failing which a student may not be permitted to appear in examination.

Evaluation Criteria: As per University latest rules

COURSE CONTENT

UNIT – I (2 Hours)

Meaning, scope and importance of macroeconomics, Schools of thought in macro economics, Concepts of gross domestic product, GNP and national income; Circular flow of income in two and three sector economy; Measurement of national income; India's national income accounts

UNIT – II (4 Hours)

Say's law of markets and the classical theory of employment; Keynesian theory of income, output and employment; Aggregate demand and aggregate supply functions; The principle of effective demand; Consumption function — average and marginal propensities to consume, factors influencing consumption spending, Keynes Psychological law of consumption

UNIT – III (5 Hours)

Investment: autonomous and induced investment; Marginal efficiency of capital, Theories of Investment: classical and Keynesian; Multiplier: investment; IS and LM curves: derivation, shifts and rotations, simultaneous equilibrium in product market and money market.

UNIT – IV**(5 Hours)**

Money — meaning, functions and classification, Demand for money: quantity theory of money, Fischer equation and Cambridge equation ; Keynes' approach: transaction, precautionary and speculative demand for money, Friedman's restatement of quantity theory of money, Money Supply: meaning and measures M1, M2, M3, M4; Credit creation and credit control by banks and Money multiplier.

UNIT –V**(4 Hours)**

Inflation: meaning, types and effects; Demand pull and cost push theories of inflation; Trade off between inflation and unemployment – Phillips curve, Macroeconomic policies: objectives and Instruments.

Prescribed Textbooks:

1. Branson, W.H., Macro-Economic Theory and Policy Third Edition, East West Press , New Delh
2. Dornbusch, R. and S. Fischer (2005), Macroeconomics, 4e, McGraw-Hill Kogakusha Tokyo.

Supplementary Readings:

1. Blanchard, Oliver (2007), Macroeconomics, Pearson Education, New Delhi