



Central University of Himachal Pradesh

(ESTABLISHED UNDER CENTRAL UNIVERSITIES ACT 2009)

PO Box: 21, Dharamshala, Himachal Pradesh-176215



Course Code: ECN 406
Course Name: Basics of Macroeconomics
Course Credits: 2

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.

COURSE CONTENT

UNIT – I (6 Hours)

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

UNIT – II (6 Hours)

Say's law of markets and the classical theory of employment, Keynes' objection to the classical theory; 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, Post Keynesian theories of consumption: relative and permanent income hypotheses

UNIT – III (6 Hours)

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

UNIT – IV (6 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 (6 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 Text Books:

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.
3. Blanchard, Oliver (2007), Macroeconomics, Pearson Education, New Delhi
4. Shapiro, Edward (2001), Macroeconomic Analysis Fifth Edition, Galgotia Publication, New Delhi.

Supplementary Readings:

1. Patinkin, Don (1965), Money, Interest and Prices, Harper and Row, New York.
2. Rakshit, M. (1998), Studies in Macroeconomics in Developing Countries, Oxford University Press, New Delhi
3. Andrew B. Abel, Ben S. Bernanke and Dean Croushore (2011), Macroeconomics, Indian Edition, Pearson
4. Gupta B. Suraj, Monetary Economics- Institutions, Theory and Policy, S.Chand & Company Ltd, New Delhi