

4107

M.A. Economics (Previous) 2019-20

Paper II

MACRO ECONOMICS

Objective: The basic objective of this course is to help the learners in proper understanding of the economic aggregates and their role in economy. It analyses various Macro Economic Theories in greater detail. It also introduces students to concept of inflation, its relationship with unemployment and Business Cycles.

Unit I

National Income and Theories of Income and Employment

National Income- Concepts, Components, Measurement Methods, Problems in Measurement, Interrelationship with Economic Welfare. Circular flow of Income in two, three and four sector Economy, Different forms of National Income Accounting – Social Accounting, Input –output Accounting and Green Accounting.

Classical Theory of Employment, Say's Law, Keynes' Criticism. Effective Demand, Aggregate Demand and Aggregate Supply Model. Keynesian Theory of Income, Output and Employment, Classical Vs. Keynesian theory. New Keynesian Economics: Main Features, Policy Implications and Criticism.

Unit II

Consumption and Investment Theories

Keynes' Psychological Law of Consumption, , Short Term and Long Run Consumption Function, Theories of Consumption Function – Absolute Income, Relative Income, Life Cycle and Permanent Income Hypothesis.

Investment – Concept, Types and Determinants, Marginal Efficiency of Investment (MEI) and its relation with Marginal Efficiency of Capital(MEC). Theories of Investment -The Accelerator Theory, Duesenberry's Accelerator Theory, Financial theories of Investment, Jargenson's Neo-Classical theory, Tobin's q Theory.

Unit III

Money Demand and Money Supply

Money Demand- The Classical Approach, The Keynesian Approach and Post Keynesian Approach: Boumol's Theory and Tobin's Portfolio Selection Model.

Value of Money- Quantity Theory of Money: Fisher's equation and Cambridge approach, Keynesian Reformulated of Quantity theory of Money, Its superiority over Traditional Theory and its criticism. Friedman Restatement of Quantity Theory of Money.

Supply of Money- Measures and Determinants of Money Supply, High Powered Money and Money Multiplier, Measures to Control Money Supply.

Unit IV

Macroeconomic Policies

Monetary Policy- Meaning, Objectives, Instruments and Classical, Keynesian and Modern Views on Monetary Policy. Fiscal Policy- Meaning, Objectives and Instruments. Relative Effectiveness of Monetary and Fiscal Policy. IS-LM model- The Interaction of Real and Monetary Sectors of Economy, Effects of Changes in Monetary and Fiscal Policy, Keynesian and Neo- Classical Version of IS-LM Model.

Monetary- Fiscal Policy Mix for Internal and External Balance - Mundell-Fleming Model in Open Economy.

Unit V

Inflation and Business Cycle

Inflation: Meaning, Types, Causes, Effects, Inflationary Gap, Measures to Control Inflation, Inflation, Deflation and Stagflation. The Phillips Curve-Concept, Rational Expectation and Long Run Phillips Curve, Policy Implications, Friedman View and Tobin's Modified Phillips Curve. Natural rate of Unemployment.

Business Cycles- Concepts, Phases, Causes, Measures to Control and Theories of Business Cycle: Theories of Hawtrey, Keynes, Shumpeter, Samuelson, Hicks, Kaldor and Goodwin.

Multiplier- Concept, Importance, Leakages, Static and Dynamic Multiplier. Accelerator-Concept, Multiplier Accelerator Interaction.

Reading List:

1. Ackley, G. (1978) – Macroeconomics: Theory and Policy, McMillan, New York.
2. Ahuja, H.L. – Advanced Macro- Economics, S. Chand and Company, New Delhi.(Hindi and English Versions)
3. Hicks, J. R. (1950) – A contribution to the Theory of Trade Cycles, Clarendon Press, Oxford.
4. Jhingan, M.L. –Macroeconomic , Vrinda Publication, New Delhi. (Hindi and English Versions)

5. Keynes, J. M. (1936) – The General Theory of Employment, Interest and Money, Macmillan, London.
6. Mankiew.G. – Macroeconomics, Worth publishers, Newyork
7. Mithani, D.M. – Macroeconomics, Himalaya Publishing Company, New Delhi
8. Rana & Verma - Macroeconomics, Visha Publishing House. (Hindi and English Versions)
9. Romar, D. L. (1996) – Advanced Macroeconomics, McGraw Hill Company Ltd., New York.
10. Shapiro, E. (1996) – Macroeconomic Analysis, Galgotia Publications, New Delhi.