

**SEMESTER – 2:: COURSE –2**  
**MACROECONOMIC ANALYSIS**  
**NO. OF CREDITS: 4**

**LEARNING OUTCOMES FOR THE COURSE**

At the end of the course, the student is expected to demonstrate the following cognitive abilities and psychomotor skills.

1. Remembers and states in a systematic way (knowledge)

Various concepts, definitions, laws and principles of macroeconomic theory with reference to income, employment, money, banking and finance

2. Explains (understanding)

a. the difference between various concepts and components of national income with illustrations and methods of measuring national income

b. various terms, concepts, laws and principles, theories relating to income, employment, consumption, investment, money, price-level and phases of trade cycles

d. functions of commercial banks and central bank, creation and control of credit

3. Critically examines using data and figures (analysis and evaluation)

a. in order to understand the interrelationship between various components of national income

b. the theories of macroeconomics with reference to their assumptions, implications and applicability

c. Empirical evidences of Consumption and Investment Functions and factors influencing them

4. Draws critical formulae, diagrams and graphs.

a. consumption and investment functions; concepts of multiplier and accelerator

b. price indices, inflation and trade cycles

## **Module - 1: National Income**

Macroeconomics - Definition, Scope and Importance - Difference between Micro economic and Macro economic Analyses – Circular Flow of Income -National Income: Definitions, Concepts, Measurement of National Income - Difficulties - Importance - Concept of Green Accounting

## **Module -2: Theory of Employment**

Classical Theory of Employment - Say's Law of Markets - Criticism -Keynesian Theory of Employment - Consumption Function - Keynes' Psychological Law of Consumption - Average and Marginal Propensity to Consume - Factors determining Consumption Function –Brief Review of Relative, Life Cycle and Permanent Income Hypotheses - Investment Function: Marginal Efficiency of Capital -Multiplier and Accelerator - Keynesian Theory of Employment - Applicability to Developing countries

## **Module – 3: Money and Banking**

Definitions of Money - Concepts of Money, Liquidity and Finance - Money Illusion - Gresham's Law - RBI classification of Money - Theories of Money: Fisher and Cambridge (Marshall, Pigou, Robertson and Keynes equations) - Banking - Definition and types of Banking - Commercial Banks - Functions -Recent Trends in Banking - Mergers and Acquisitions - Central Bank - Functions - Control of Credit by Central Bank - NBFCs- Factors contributing to their Growth and their Role

## **Module – 4: Inflation and Trade Cycles**

Inflation: Concepts of Inflation, deflation, reflation and stagflation - Phillip's Curve - Measurement of Inflation - CPI and WPI -Types of Inflation - Causes and Consequences of Inflation -Measures to Control Inflation. Trade Cycles: Phases of a Trade Cycle -Causes and Measures to control Trade Cycles

## **Module -5: Finance and Insurance**

Financial Assets and Financial Instruments - Financial Markets - Functions of Money Market - Functions of Capital Market - Stock Market - Exchanges – Indices: Sensex and Nifty - Concept of Insurance - Types and Importance of Insurance