



Semester II
ECOIDC- 151
Foundation of Economics – II
Total Credits: 3
Teaching Hours: 45 hours

Course Description

This course aims to introduce the students to the basic concepts of Macroeconomics. Macroeconomics deals with the aggregate economy. This course discusses the preliminary concepts associated with the determination and measurement of aggregate macroeconomic variable like savings, consumption investment, GDP, employment, money and banking.

Course outcome

After the completion of the course, the student will be able to understand the theoretical framework and the working of an economy as a whole. The course is intended to provide an in-depth understanding of the real economic issues like unemployment, inflation, and also have knowledge about functioning of money and banking, Classical and Keynesian approaches to income and employment, GDP and their linkages.

Unit 1: Introduction

Nature and scope of Macro Economics, importance and limitations of Macro Economics Macro variables, stock and flow concept, Concept of - two sector, three sector and four sector economy.

Unit 2: National income,

Concept of GNP, GDP, NNP, NDP, Private income Personal income, per capita income, real and nominal national income, Methods of measuring national income, Difficulties of Estimating National Income, National income and economics welfare, circular flow of income in two sector, three sector and Four sector economy.

Unit 3: The Classical System

Basic ideas of Classical Macroeconomics, Classical theory of income and employment, Say's law market, wage – price flexibility and Classical Full Employment Model, Quantity theory of money- Classical approach

Unit 4: Keynesian economics,

Keynes' objections to classical theory, The Keynesian Approach – Keynesian Consumption Function, Saving, Investment Functions, Basics of Aggregate Demand and Aggregate Supply, The Principle of Effective Demand; Income Determination in a Simple two Sector Model; Investment Multiplier, Keynesian theory of demand for money.

Unit 5: Money and Banking,

Money – Definition, types, and functions, determination of money supply and demand, Measurement of money supply, functions of Commercial bank, credit creation, role of central bank, Credit control- tools of monetary policy

Suggested Readings:



<http://www.elearninginfo.in>

1. Case, Karl E. & Ray C, Fair, Principles of Economics, Person Education, Inc, 8th edition, 2007.
2. Sikdar, Soumyen, Principles of Macroeconomics, 2nd Edition, Oxford University Press, India
3. Dwivedi D. N., Microeconomics: Theory and Policy, Tata McGraw-Hill, 2005