

Semester V
ECODSM – 301/302
Principles of Macroeconomics
Total Credits: 3
Teaching Hours: 45 Hours

Course Description:

The course is the continuation of the basic concepts of Macroeconomics that students learnt in Semester I and Semester II in DSM paper. The students will be able to learn the concepts of introductory Macroeconomics, Macroeconomic variables, basic concepts of national income accounting, inflation, unemployment, savings, investment, money and banking, open economy macroeconomics, foreign exchange markets, balance of payments etc. in this course.

Course Outcome:

The students will be able to understand the theoretical framework and the working of the economy as a whole along with global Macroeconomic problems. The students will gather in depth knowledge in real economic issues like national income, unemployment, inflation, money supply, interest rate, exchange rate determination which affect the day to day of the general masses in all economies of the globe including Indian Economy.

Unit 1: Money

Money: Types and Functions; Quantity Theory of Money, Determinants of Money Supply, Measures of Money Supply, Demand for Money: Keynesian Liquidity Preference Theory.

Unit 2: Banking and Monetary Policy

Central Bank: Functions and Role; Commercial Banks: Functions, Role and Credit Creation, Credit Control Measures, Monetary Policy: Definition, Objectives, Instruments and Role.

Unit 3: Determination of Income and Employment

Aggregate Demand and Aggregate Supply, Simple Keynesian Model: Consumption Function, Savings and Investment Functions; Determination of Equilibrium Output, Concept of Multiplier, Classical Theory of Employment, Say's law of Market.

Unit 4: Inflation and Unemployment

Inflation: Meaning, Cost Push and Demand Pull Inflation, Effects of Inflation, Control of Inflation, Unemployment: Measurement and Types; Phillip's Curve: Short run and Long run, Stagflation.

Unit 5: Open Economy

Balance of Payments: Current Account and Capital Account, Balance of Trade, Disequilibrium in BOP: Causes and Correction, Foreign Exchange Rate: Meaning and Types, Determination of Equilibrium Exchange Rate.

Suggested Readings

1. Karl. E Case and Ray C. Fair, Principles of Economics, Pearson Education, 12th Edition, 2022
2. Olivier Blanchard, Macroeconomics, Pearson Education, 5th Edition, 2009
3. N. Gregory Mankiw, Principles of Macroeconomics, Cengage Learning, 7th Edition, 2010
4. Dornbusch, Fischer and Startz, Macroeconomics, Mc Graw Hill, 11th Edition, 2010
5. Soumen Sikdar, Principles of Macroeconomics, Oxford University Press, 3rd Edition, 2020