

BACHELOR OF ARTS

3rd SEMESTER

DISCIPLINE SPECIFIC COURSE – 3 (CORE - 3)

EC320C: ECONOMICS: PRINCIPLES OF MACROECONOMICS-I

Theory: 4 Credits; Tutorial: 2 Credits
Max Marks- 60; Max Marks- 30
Min Marks- 24; Min Marks- 12

Course Description

In this course the students are introduced to the concepts and measurement of the macroeconomic variables like GDP, Consumption, Savings, and Investment. The course also discusses the determination of income and employment in the Classical and Keynesian framework. In addition it introduces students to the Post-Keynesian theories of Consumption.

Unit I: National Income

(15 Hours)

Introduction to Macroeconomics; National Income Aggregates; Circular Flow of Income; Measurement of National Income – Value Added Method, Income Method in a Two Sector, Three Sector and Four Sector Economy, Expenditure Method; Nominal and Real Income; Green Accounting

Unit-II Classical Theory of Output and Employment

(15 Hours)

Classical Postulates; Classical theory of income and employment – Say's law of market; Wage-price flexibility and full employment; Classical Model-without and with saving and investment; Keynes criticism of Classical Theory.

UNIT III: Keynesian Theory of Income and Employment

(15 Hours)

Effective demand- Concept and its determinants; Keynesian Theory of Consumption -APC, MPC; Saving Function-APS, MPS; Investment- Concept and Types; Determination of Equilibrium Output (Income); Saving/Investment Approach to Equilibrium; The Investment Multiplier.

UNIT IV: Theories of Consumption and Investment

(15 Hours)

Theories of Consumption- Absolute, Relative, Permanent and Life-cycle hypotheses; Theories of Investment- Marginal Efficiency of Capital and Rate of interest; Concept and principle of Accelerator; Multiplier and Accelerator interaction.

TUTORIALS (2 Credits, 30 Hours)

- (i) Limitation of GDP as a measure of National Income.
- (ii) National income accounting and its associated concepts.
- (iii) Paradox of Thrift.
- (iv) Foreign Trade Multiplier.
- (v) Sources of wage-price rigidity
- (vi) Kuznets Puzzle

Basic Readings:

1. Richard T. Froyen (2013) Macroeconomics Theories and Policies, Pearson Education, New Delhi.
2. Edward Shapiro (2013) Macroeconomic Analysis, Galgotia Publications, New Delhi.
3. Gardner Ackley (2008) Macroeconomic Theory, Surjeet Publications, Delhi.
4. H.L. Ahuja (2016) Macroeconomic Theory and Policy based on UGC model curriculum; S Chand; Latest Edition.
5. D. N. Dwivedi (2018), Macroeconomics Theory and Policy Tata McGraw Hill New Delhi.
6. Case, Karl E. & Ray C. Fair, Sharon M Oster(2012), *Principles of Macroeconomics*, Pearson Education, Inc., 10th Edition.

Additional Readings:

Additional reading list to be suggested by the concerned teacher.