

BACHELOR OF ARTS

4th SEMESTER

DISCIPLINE SPECIFIC COURSE – 4 (CORE - 4)

EC420: ECONOMICS: PRINCIPLES OF MACROECONOMICS-II

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

Course Description

This is a sequel to Principles of Macroeconomics–I. It analyses various theories of determination of National Income in greater detail. It also introduces students to the concept of Inflation, its relationship with Unemployment and with business cycles.

Unit-I: Money Supply, Money Demand and the Interest Rate (15 Hours)

Money—meaning and evolution; Money Supply- Concept and its measurement; Four measures of Money Supply; Interest Rates and Bond Prices; Keynes theory of Demand for Money and Rate of Interest; Determination of interest rate: equilibrium in the Money Market.

Unit II: IS-LM Analysis (15 Hours)

Goods Market Equilibrium: Derivation of IS Curve; Slope and Shifts in IS curve; Money Market Equilibrium: Derivation of LM Curve; Slope and Shifts in LM Curve; IS-LM Model equilibrium.

Unit III: AD-AS Model with variable Prices (15 Hours)

Derivation of Aggregate Demand curve using IS LM; Aggregate Demand Curve with variable prices; Multiplier analysis with AD curve and changes in price levels; Slope and Shifting of AD Curve; Aggregate supply in the Short run and Long run; AS-AD model; Short run and Long run macroeconomic equilibrium.

UNIT IV: Inflation and Business Cycles (15 Hours)

Inflation-Concept and types; Causes of Inflation-Demand Pull and Cost Push Inflation; Relationship between Inflation and Unemployment: Phillips Curve; Business Cycles-Concept; Causes and Phases.

TUTORIALS (2 Credits, 30 Hours)

- (i) Liquidity measures of money- L1, L2 and L3.
- (ii) IS-LM model: Explaining the role of Fiscal and monetary policies.
- (iii) Role of Fiscal and Monetary policies in AD-AS Model.
- (iv) Real balance effect, rate of interest and foreign trade effect.
- (v) Phillips curve in short run and long run.
- (vi) Measures to control Business cycles by Classical and Keynesian economics.

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.