ECO222J: ECONOMICS (BASIC MACROECONOMICS)

CREDITS: THEORY: 04; TUTORIAL: 02

Course Description: This is a core course of 06 credits (01 credit for each unit with the last two units as tutorials). The course starts with some basic concepts required for the understanding the essence of subject, followed by consumption and savings function along with the concepts like investment, multiplier and accelerator. The course concludes with the basic concepts associated with money, inflation and unemployment. Overall, focus of the course is to disseminate knowledge, comprehension and skill among the learners.

Course Objective: The course is framed in order to expose the students to basic principles of macroeconomics. The course illustrates how macroeconomic concepts can be applied to analyse real life situations.

Learning Outcomes: After completion of course, the student is expected to:

LO1: Develop a basic understanding of theoretical concepts of macroeconomics.

LO2: Exhibit a broad understanding of the national income concepts and its measurement so that students can calculate national income under different methods.

LO3: Demonstrate an understanding of investment and analyse its impact on macroeconomy.

LO4: Acquire skills to calculate price change through different indices.

THEORY (4 CREDITS)

UNIT I: NATIONAL INCOME AND ACCOUNTING

> Macroeconomics - Definition and Scope, National Income Identities– Concept and Measurement, Circular Flow of Income – Two, Three and Four Sector Models,

UNIT II: BEHAVIOURAL FOUNDATIONS-I

> Consumption and Saving Function – APC and APS, MPC and MPS. Psychological Law of Keynes. Kuznets Puzzle. Relative Income hypothesis.

UNIT III: BEHAVIOURAL FOUNDATION II

> Investment: meaning and types, marginal efficiency of investment and rate of interest, derivation of investment demand curve, concept of multiplier: Static and Dynamic, Accelerator: Concept and Theory.

UNIT IV: MONEY INFLATION AND UNEMPLOYMENT

> Money- concept and functions. Inflation: meaning and types, demand pull and cost push inflation, costs and benefits of inflation. Unemployment: meaning and types, demand for money – Classical view, supply of money

TUTORIAL (2 CREDITS)

UNIT V: TUTORIAL I

> Calculation of National Income and its associated entities.
>
> Compilation of GDP by value added method and income method, using data from CSO
>
> Importance and Concept of Base year (Example from CSO).

UNIT VI: TUTORIAL II

> Compilation and concept of M_1, M_2, M_3 and M_4 measures of money using data from Reserve Bank of India.
>
> Concept and calculation of Price Index number and then using this analogy to calculate WPI and CPI for Indian economy.
>
> Concept and numerical exposition of Multiplier with tax and imports as a function of GDP.

BASIC READINGS

1. Shapiro, E. (2005), Macroeconomic Analysis, Galgotia Publications, New Delhi.
2. M. C. Vash. (2010). Macroeconomic Theory (14th ed.). Vikas Publishing House Pvt. Ltd.: New Delhi.
3. Dornbusch, R., Fischer, S., & Startz, R. (2018). *Macroeconomics*. 12th Edition, McGraw-Hill.
4. Mankiw, N. G. (2020). *Principles of macroeconomics*. Cengage Learning.
5. Blanchard, Olivier Jean (2016). Macroeconomics. 7th Ed. Pearson.5