

B.Com. (Hons.): Semester-II
BCM203: MACRO ECONOMICS

| Teaching Scheme | Examination Scheme |
|----------------------|-------------------------------|
| Lectures: 4 hrs/Week | Class Test -12 Marks |
| Tutorials: 1 hr/Week | Teachers Assessment – 6 Marks |
| Credits: 5 | Attendance – 12 Marks |
| | End Semester Exam – 70 Marks |

Course Objective

To provide the students with knowledge of enriching concepts and variables of macro- economics; appreciate the impact of labor market, money market and foreign exchange on working of an economy and understand the modern tools of macro-economic analysis.

Course Learning Outcomes

After completing the course, the student shall be able to:

- CO1: describe the nature and scope of Macro Economics, Income, Expenditure and their components and determinants.
- CO2: expose fiscal and monetary policy implications through IS-LM framework in short run and long run.
- CO3: comprehend the different theories of demand for money, supply of money approach and working of money multiplier.
- CO4: understand the application of macroeconomics concepts in economy
- CO5: elucidate causes and effects of different types of inflation and trade-off between inflation and unemployment.
- CO6: describe the role of saving and investment in different size of economies on trade and exchange rate and rate of interest.

Unit I: Introduction

Introduction – Concepts and variables of macroeconomics, Income, Expenditure and the circular flow (three sector economy), Components of expenditure. Consumption, Saving and investment and S-I approach, Multiplier (three sector) and numerical.

Unit II: Economy in the Short Run

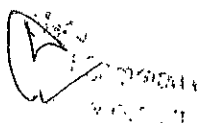
Meaning, Objectives and instruments of fiscal and monetary policy, AD-AS approach. Determination of aggregate demand, Shifts in aggregate demand, Aggregate supply in the short-run and long-run, Aggregate demand- Aggregate supply analysis. Economy in the short run- IS- LM framework and numericals.

Unit III: Demand for money and Supply of money

Demand for money- Quantity Theory of Money (Fisher's Transactions approach), Keynesian theory of demand for money, Baumol-Tobin Transaction approach, Tobin's Portfolio Balance approach.
Supply of money- Measures of money supply by RBI, Money multiplier.

Unit IV: Inflation, Unemployment and Labor Market

Inflation-Causes and effects, Demand pull and cost push inflation. Measures to control inflation. Social costs of inflation. Unemployment – Natural rate of unemployment, Frictional and wait unemployment. Labour market and its interaction with production system. Phillips curve, Trade- off between inflation and unemployment, Sacrifice ratio.



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Unit V: Open Economy

Flows of goods and capital, Saving and investment in a small and a large open economy, Exchange rates- Fixed and flexible, Mundell– Fleming model with fixed and flexible exchange rates, Interest rate differentials- case of a large economy.

Suggested Readings

- Andrew B. Abel and Ben S. Bernanke, Macroeconomics, Pearson Education, Inc., 7th edition, 2011.
- Branson, William H: Macroeconomic Theory and Policy. HarperCollins India Pvt. Ltd.
- Deepashree: Principles of Macroeconomics. Scholar Tech Press. Ed. 2017.
- Dornbusch, Rudiger, Stanley Fischer and Richard Startz, Macroeconomics, McGraw Hill Education; Twelfth edition, 2018.
- Edward Shapiro. Macroeconomic Analysis. Ed. 5th Galgotia Publications Pvt Ltd-New Delhi, 2013
- Froyen, Macroeconomics:- Theories and Policies Pearson New Delhi, Sixth edition, 2013
- G.S. Gupta : Managerial Economics McGraw Hill Education; 2nd edition, 2017
- Government of India (GOI) (Latest Year) : —Economic Survey, Ministry of Finance, New Delhi
- JM Keynes: General Theory of Interest, Employment & Money, Atlantic, 2008
- Mankiw, N. Gregory, Principles of Macroeconomics, Cengage Learning India Pvt. Ltd.; 7th edition, New York, Hampshire, U.K. 2015
- Olivier Blanchard, Macroeconomics, Pearson Education, Inc., 5th edition, 2009.
- Paul R. Krugman, Maurice Obstfeld and Marc Melitz, International Economics, Pearson Education Asia, 9th edition, 2012.
- Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.
- Salvatore, Dominick. International Economics, John Wiley & Sons Singapore.
- T Foryen Richard: Macro Economic Theories and Policies; 6th edition, 1998.

Note: Latest edition of readings may be used.