

SRI VENKATESWARA UNIVERSITY
B.A. ECONOMICS
FIRST YEAR - SECOND SEMESTER
(Under CBCS W.E.F. 2020-21)
Course – 2: MACRO ECONOMIC ANALYSIS

LEARNING OUTCOMES FOR THE COURSE

At the end of the course, the student is expected to demonstrate the following cognitive abilities and psychomotor skills.

- 1. Remembers and states in a systematic way (knowledge)**
Various concepts, definitions, laws and principles of macroeconomic theory with reference to income, employment, money, banking and finance
- 2. Explains (understanding)**
 - a.** the difference between various concepts and components of national income with illustrations and methods of measuring national income
 - b.** various terms, concepts, laws and principles, theories relating to income, employment, consumption, investment, money, price-level and phases of trade cycles
 - c.** functions of commercial banks and central bank, creation and control of credit
- 3. Critically examines using data and figures (analysis and evaluation)**
 - a.** in order to understand the interrelationship between various components of national income
 - b.** the theories of macroeconomics with reference to their assumptions, implications and applicability
 - c.** Empirical evidences of Consumption and Investment Functions and factors influencing them
- 4. Draws critical formulae, diagrams and graphs.**
 - a.** consumption and investment functions; concepts of multiplier and accelerator
 - b.** price indices, inflation and trade cycles

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Module - 1: National Income

Macroeconomics - Definition, Scope and Importance - Difference between Micro economic and Macro economic Analyses – Circular Flow of Income -National Income: Definitions, Concepts, Measurement of National Income - Difficulties - Importance - Concept of Green Accounting

Module -2: Theory of Employment

Classical Theory of Employment - Say's Law of Markets - Criticism -Keynesian Theory of Employment - Consumption Function - Keynes' Psychological Law of Consumption - Average and Marginal Propensity to Consume - Factors determining Consumption Function –Brief Review of Relative, Life Cycle and Permanent Income Hypothesis - Investment Function: Marginal Efficiency of Capital -Multiplier and Accelerator - Keynesian Theory of Employment - Applicability to Developing countries

Module – 3: Money and Banking

Definitions of Money - Concepts of Money, Liquidity and Finance - Money Illusion - Gresham's Law - RBI classification of Money - Theories of Money: Fisher and Cambridge (Marshall, Pigou, Robertson and Keynes equations) - Banking - Definition and types of Banking - Commercial Banks - Functions -Recent Trends in Banking - Mergers and Acquisitions - Central Bank - Functions - Control of Credit by Central Bank - NBFCs- Factors contributing to their Growth and their Role

Module – 4: Inflation and Trade Cycles

Inflation: Concepts of Inflation, deflation, reflation and stagflation - Phillips Curve - Measurement of Inflation - CPI and WPI -Types of Inflation - Causes and Consequences of Inflation -Measures to Control Inflation. Trade Cycles: Phases of a Trade Cycle -Causes and Measures to control Trade Cycles

Module -5: Finance and Insurance

Financial Assets and Financial Instruments - Financial Markets - Functions of Money Market - Functions of Capital Market - Stock Market - Exchanges – Indices:Sensex and Nifty - Concept of Insurance -Types and Importance of Insurance

Reference Books:

1. Dillard. D., *The Economics of John Maynard Keynes*, Cross by Lockwood and sons, London
2. M. C. Vaish - *Macroeconomic Theory*, Vikas Publishing House, New Delhi.
3. S. B Gupta - *Monetary Economics*, S. Chand & Co, Delhi
4. P. N. Chopra, *Macroeconomics*, Kalyani Publishers, Ludhiana, 2014
5. D. M. Mithani, *Macro Economic Analysis and Policy*, Oxford and IBH, New Delhi
6. M N Mishra & S B Mishra, *Insurance Principles & Practice*, S Chand.
7. Lewis, M.K and PD Mizen - *Monetary Economics*, Oxford University Press, New Delhi
8. Central Statistical Organization, *National Accounts Statistics*.
9. M.L.Seth, *Macroeconomics*, Lakshmi Narayan Agarwal, 2006.
10. K. P. M. Sundaram, *Money, Banking & International Trade*, Sultan Chand, 2006.
11. R. R. Paul, *Monetary Economics*, Kalyani Publishers, Ludhiana, 2018
12. *Macroeconomics*, Spectrum Publishing House, Hyderabad, 2016

Recommended Co-curricular Activities:

1. Assignments on trends in national income, money supply and inflation
2. Student Seminars/webinars on macroeconomic themes of contemporary importance for Indian economy(Eg., Covid-19 impact on aggregate demand, supply chain disruption, policy response etc.,)
3. Quiz to test critical understanding of the concepts and theories of macroeconomics and their application in practice
4. Group discussions on monetary policy and its effectiveness with reference to recent developments.
5. Group project work to study the trends in national income, inflation, money supply etc.,
6. Chart/poster presentation on National Income Trends, inflation, aggregate demand etc.,
7. Web-based assignment on Banking/money

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Course 2: MACRO ECONOMIC ANALYSIS
MODEL QUESTION PAPER

SECTION - A

Write Short Answer for any FIVE of the following

Each question carries 5 marks (5 x 5 = 25 Marks)

1. Macro Economic Paradoxes
2. Gross National Product
3. Effective Demand
4. Marginal Propensity of Consume
5. Gresham's Law
6. RBI's Classification of Money
7. Types of Inflation
8. Stock Market

Section –B

Answer the following questions

Each question carries 10 marks (5X10=50 Marks)

9. (a) Explain the importance of Macroeconomics. What are its uses and limitations?
(or)
(b) Write about methods of estimating National Income.
10. (a) Critically examine J.B. Say 's Law of Market.
(or)
(b) What is Consumption Function? What are factors influencing the Consumption Function?
11. (a) Explain Fisher's Quantity Theory of Money.
(or)
(b) Explain the functions of Commercial Banks.
12. (a) Explain the phases of Trading Cycles.
(or)
(b) What are the causes of Inflation.
13. (a) Explain the functions of Stock Exchanges.
(or)
(b) Write about Life Insurance.