



**Master of Arts (Economics)**  
**Semester: II**

Course Code	<b>PA02CECO22</b>	Title of the Course	Macro Economics
Total Credits of the Course	5	Hours per Week	5

Main Focus of the Course outcomes	Employability	Skill Development	Entrepreneurship
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Course Objectives:	<ul style="list-style-type: none"> <li>● To explain the various concepts of consumption theories.</li> <li>● To aware the students about the different theories of interest rate.</li> <li>● To familiarise the students with problems of inflation and its solution.</li> <li>● To describe the monetary policy and its applications.</li> </ul>		

<b>Course outline</b>		
Unit	Unit Description	Weightage
<b>1.</b>	<b>Consumption Function:</b> Concept: Properties of consumption function- Keynesian Psychological Law of Consumption and it's validity- The functional relationship between income and consumption- Short and long run aspects- Post-Keynesian consumption function hypotheses: Duesenberry's demonstration effect Friedman's permanent income hypothesis, Modigliani's life cycle theory- multiplier: Meaning, working and importance- Leverages- Balanced budget multiplier-Multiplier in the under developed countries.	<b>20%</b>
<b>2.</b>	<b>Theory of Interest:</b> Interest rates and price expectations- Nominal and real interest rates- Inflationary expectations and Interest rates- Theories of Interest rates: Classical, Neo-Classical, Keynesian and modern IS-LM theory of rate of interest by Hicks and Hansen and its implications- Structure of rate of interest- Asset prices and interest rates- Term structure- Income, saving and investment and rate of interest- Policy of administered interest rates- Deregulation of interest rates.	<b>25%</b>
<b>3.</b>	<b>Theory of Inflation:</b> Concept- Sources of inflationary pressure: Demand-pull, Cost-push factors, Sectoral demand shift- International aspect of inflation- Ratchet inflation- Inflation in less developed countries- Inflationary gap- Inflation and distribution of income-Stagflation- Control of inflation: Income policy, demand restriction, monetary policy, fiscal policy- Philips curve analysis: Relationship between unemployment and inflation- Samuelson and Solow: The natural rate of- Unemployment hypothesis, Tobin's modified Philips curve.	<b>25%</b>
<b>4.</b>	<b>Monetary Policy:</b> The theory of monetary policy: Meaning, instruments, indicators and targets of monetary policy- External versus internal stability- Neutral money policy- Monetary policy and full employment- Cheap money policy- International banking and monetary policy- Constant money supply approach- Long-term objectives of monetary policy- Limitations of monetary policy- Rules versus discretion (Friedman's views)- Money and business cycles- Role of monetary policy in liberalization and market economy- Monetary policy of the Reserve Bank of India (RBI). <b>Monetary Equilibrium:</b> Concept - Walras' theory of	<b>30%</b>



	general equilibrium- Patinkin's reformulation of theory Classical dichotomy.	
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<b>Teaching-Learning Environment</b>	The course would be taught/learnt through various means like lectures, discussions, writing assignments, viva-voce, seminars presentations, browsing online-resources relevant to the content, participating in co-curricular, extra-curricular activities.
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<b>Evaluation Pattern</b>		
Sr. No.	Details of the Evaluation	Weightage
1.	Internal Written / Practical Examination	15%
2.	Internal Continuous Assessment in the form of Practical, Viva-voce, Quizzes, Seminars, Assignments, Attendance, Participation in co-curricular and extra-curricular activities	15%
3.	University Examination	70%

<b>Course Outcomes:</b> Having completed this course, student will be able to:	
1.	Apply the concepts of consumption theories to understand the economic activities.
2.	Understand the determinants of interest rate.
3.	Identify the problems and remedies of inflation.
4.	Get idea about the changes taking place in the monetary policy.

<b>Suggested References:</b>	
Reference Books / Research papers / Reports / Any reference material used for teaching / learning the content in the course outline	
1.	Ackley, G (1978). Macroeconomics: Theory and Policy, MacMillan, New York
2.	Dornbusch, R. and F. Stanley (1997). Macroeconomics, McGraw-Hill Inc, New-York.
3.	Frisch, H. (1983). Theories of Inflation, Cambridge University Press,
4.	Ghosh, B.N., and Rama Ghosh (1993). Modern Macroeconomics: Theory and Policy, Himalaya Publishing.
5.	Gupta, S.B: (1995). Monetary Planning in India, Oxford University Press, New Delhi.
6.	Gupta, G.S. (2001). Macroeconomics: Theory and Applications, Tata McGraw-Hill publishing Company Ltd., New Delhi.
7.	Gurley J. and E.S. Shaw (1960). Money in a Theory and Finance, Brookings Institution, Washington.
8.	Hall, R.E. and J.B. Taylor (1986). Macroeconomics, McGraw-Hill Inc. New York.
9.	Jha, R. (1991). Contemporary Macroeconomic Theory and Policy, Wiley Eastern Ltd. New Delhi.



10. Laidler, D.E.W. (1977). Demand for Money, Theory and Evidence, Dum-Don Valley, New York.
11. Leijonhufwud, A. (1968). On Keynesian Economics and Economics of Keynes, Oxford University Press, London.
12. Mankiw, N.G. and D. Romer (Eds.) (1991). New Keynesian Economics, 2 Vols. MIT Press, Cambridge, Massachusetts, USA.
13. Mueller, M.G. (1966). Reading in Macroeconomics, Holt Rinehart & Winston, N.Y.
14. Patinkin, D. (1965). Money, Interest and Prices, Harper & Row, New York.
15. Lucas, R. (1981). Studies in Business Cycle Theory, MIT Press, Cambridge, Massachusetts, USA.
16. Taylor, L. (1983). Structuralist Macroeconomics, Basic Books, New Longman.