

M.A. 1st Semester
Paper-102 (Compulsory)

Time : 3 Hrs.
Max. Marks : 100
External : 80
Internal : 20

MACRO ECONOMIC ANALYSIS-I

- Note:** (i) Nine Questions will be set in all and students will be required to attempt 5 questions.
- (ii) Question No. 1 will be compulsory and will consist of 8 short answer type questions of 2 marks spread over the entire syllabus (2*8=16 marks).
- (iii) For the remaining four questions, students will attempt 1 out of 2 questions from each of the four units (16 marks each).

PREAMBLE

Macroeconomics analyses and establishes the functional relationships between large aggregates. The aggregate analysis has assumed such a great significance in recent times that a prior understanding of macroeconomics theoretical structure is considered essential for the proper comprehension of the different issues and policies. Macroeconomics now is not only a scientific method of analysis; but also a body of empirical economic knowledge. The paper equips the students at the postgraduate level to understand systematic facts and latest theoretical developments for empirical analysis at economy level.

Unit-I

National Income and Accounts

National income accounting – social accounting, input-output accounting, flow of funds accounting; Balance of payments accounting; Classical and Keynesian Models of income determination.

Consumption function

Keynes' Psychological law of consumption – implications of the law; Empirical evidence on consumption function; Reconciliation of short run and long run consumption function – absolute income, relative income, permanent income and life cycle hypotheses.

Unit-II

Investment Theories

Investment Function; The Marginal Efficiency of Capital Approach; Accelerator- Simple & Flexible; Profits Theory; Financial Theory; The Neoclassical Model.

Unit-III

Demand for Money

Classical and Keynesian approach (The Regressive Expectations model); Post Keynesian approaches to demand for money-Tobin (Portfolio balance approach), Baumol (Inventory theoretic approaches) and Friedman (Restatement of quantity theory of money).Patinkin's real balance effect.

Unit-IV

Supply of Money

Measures of money supply; RBI's approach to money supply; Mechanism of Monetary expansion and contraction (deterministic and behavioural models); Determinants of money supply; Instruments of Monetary control.

Neo-classical and Keynesian Synthesis

The Basic IS-LM model, extension of IS-LM model with government sector, labour market and variable price level.

Basic Reading List

- Ackley, G. (1978), *Macroeconomics: Theory and Policy*, Macmillan, New York.
- Blackhouse, R. and A. Salansi (Eds.) (2000), *Macroeconomics and the Real World* (2 Vols.), Oxford University Press, London.
- Branson, W.A. (1989), *Macroeconomic Theory and Policy*, (3rd Edition), Harper and Row, New York.
- Dornbusch, R. and F. Stanley (1999), *Macroeconomics*, Irwin McGraw Hill, Inc. New York, 7th Edition.
- Heijdra, B.J. and V.P. Fredericck (2001), *Foundations of Modern Macroeconomics*, Oxford University Press, New Delhi.
- Jha, R. (1991), *Contemporary Macroeconomic Theory and Policy*, Wiley Eastern Ltd., New Delhi.
- Romer, D.L. (1996), *Advanced Macroeconomics*, McGraw Hill Company Ltd., New York.
- Shapiro, E. (1996), *Macroeconomic Analysis*, Galgotia Publications, New Delhi.

Additional Reading List

- Mankiw, N.G. and D. Romer (Eds.) (1991), *New Keynesian Economics*, (2Vols.), MIT Press, Cambridge.
- Mankiw, N. Greogory (2000), *Macroeconomics* Macmillan Worth Publishers 4th Edition
- Frisch, H. (1983), *Theories of Inflation*, Cambridge University Press, Cambridge.
- Sheffirin, S.M. (1996), *Rational Expectations*, Cambridge University Press, Cambridge.
- Lucas, R. (1981), *Studies in Business Cycle Theory*, MIT Press, Cambridge, Masscehusetts.
- Taylor, L. (1983), *Structuralist Macroeconomics*, Basic Books, New Longman.

- Turnovsky, S.J. (1977), *Macroeconomic Analysis and Stabilization Policy*, Cambridge University Press, Cambridge.
- Ruggles R. and N. Ruggles (1956), *National Income Accounts and Income Analysis* Mc Graw Hill, Newyork.
- Veniers, Y.P. and F.D.Sebold, (1977) *Macroeconomics; Models and Policy* John Wiley and Inc, USA.
- Dernburg, T.F.and D. M.Mc Dougall, *Macroeconomics*, McGraw Hill International Book Company.