

# B.A. Honours Business Economics

## Generic Elective Courses

### GE -2: Principles of Macroeconomics

Course Title and Code	Credits	Credit distribution of the course			Eligibility Criteria	Pre-requisite of the course
		Lecture	Tutorial	Practical/Practice		
Principles of Macroeconomics	4	3	1	0	Class XII	None

#### Learning Objectives

This course aims at inculcating an understanding:

- (i) key macroeconomic variables with a sound understanding of aggregate economic accounts and definitions.
- (ii) the differences between real and nominal variables, how GDP is measured and its limited applicability to welfare.
- (iii) equilibrium under different assumptions on aggregate demand and supply.
- (iv) the relation between wages, prices, unemployment under different models
- (v) the concept of open economy and how it determines the balance of payments, types of exchange rates.

#### Learning Outcomes

By studying this course, the students will be able to:

- (i) understand the basic principles of and definitions of national income accounting and determination of GDP
- (ii) understand basics of consumption function and different hypotheses regarding aggregate consumption behavior.
- (iii) derive wage setting, price setting relations and labour market equilibrium.
- (iv) learn about the key determinants of economic growth through the lens of the solow/neoclassical growth model and the difference between growth through capital accumulation and technological progress
- (v) identify key macroeconomic indicators and measures of economic change, growth, and development.
- (vi) apply economic theories and concepts to contemporary social issues, as well as formulation and analysis of policy.
- (vii) apply basic international trade and finance concepts to global pricing issues, including working with exchange rates

#### Unit I: National Income and Production

[10 hours]

Macroeconomic questions. National Income Accounts: circular flow, production income and expenditure. Limitations of GDP; real and nominal. Productivity and Incomes, Inequality of incomes and productivity and measurement. Aggregate production function and its representation. Determinants of technology.

#### Unit II: Economic Growth and Development

[5 hours]

Growth and its patterns and its determinants. History of economic growth. Growth, inequality and poverty. Solow Growth Model.

#### Unit III: Macroeconomic Equilibrium

[15 hours]

Measuring employment and unemployment. Labor market equilibrium and unemployment structural & cyclical. Natural rate of unemployment. Credit markets, interest rates and supply and demand curves for credit and equilibrium. Banks & financial intermediation. Functions of banks. Monetary system: money, types and money supply. Quantity theory of money. Inflation: causes, consequences, social costs and benefits. Central bank functions and objectives of monetary policy. Bank reserves and demand, supply of federal funds.

**Unit IV: Fluctuations and Policy Interventions****[15 hours]**

Economic fluctuations and business cycles. Sources of fluctuations, multipliers, equilibrium in the short and the medium run.

Countercyclical monetary policy: controlling repo rate and other tools. Countercyclical fiscal policy: expenditure based, taxation based and others.

**Essential Readings:-**

Macroeconomics, Daron Acemoglu, David Laibson, John List, Pearson 2023.

## Additional Readings

Core Econ Team, The Economy 1.0 and The Economy 2.0, [www.core-econ.org](http://www.core-econ.org)

Case, K.E., Fair, R.C., Sharon O., Principles of Economics, Pearson