

Stat-125: Principles of Economics-II

50 Marks: 02 Credits

Number of Class: 20-26

Overall Economic Situation: Major Macroeconomic Problems – (Inflation, unemployment and low growth rate). Macroeconomic policy & goals. National Output Concepts. Measurement of National output, rates of growth, unemployment and inflation.

Aggregate Demand and Aggregate Supply Model: Determinants of Aggregate Demand – Consumption, Savings and Investment – Aggregate Supply – short run and long run. Determination of income in the very short run. Concept of Multiplier.

Money and Monetary Institutions: Types and Functions of money. Constituents of money supply. Role of Central Bank and Commercial Bank. Multiple expansion of deposits – Control of money supply. Demand for money – Quantity Theory of Money.

Role of Government and Fiscal Policy: Objectives of government – Objectives and instruments of fiscal policy. Budget – Deficit Budget and Surplus – Financing the deficit, Sources of Revenue, Direct and Indirect taxes, Government purchases and transfer payment.

Working of Monetary and Fiscal Policy: Monetary and Fiscal Policy in a closed economy. Open economy – Basis for trade Theory of Comparative Advantage – Perfect mobility of capital – Determination of interest rate – Exchange rate determination. Monetary and Fiscal Policy in an open economy. Multipliers in the short run and in the long run.

Inflation: Causes of Inflation, Cost Push and Demand Pull Inflation, Stagflation, Demand and Supply Side Factors of Inflation, Phenomenon of Phillips Curve.

Economic Growth and Cycles: Nature of business cycles. Why do business cycle occur? Sources of growth. Benefits and costs of growth. Theories of growth

Text

1. M. Parkin (2003): *Macroeconomics*, 6th Edition, Addison Wesley.

References

1. J.E.Stiglitz (1997): *Principles of Macroeconomics*, 2nd Edition, Norton & Company, Inc.
2. N.G.Mankiw (1997): *Macroeconomics*, 3rd Edition, Worth Publishers.
3. P.A.Samuelson and W.D.Nordhaus: *Economics*, 17th Edition.
4. R.Dornbusch, S.Fischer and R.Startz (2002): *Macroeconomics*, 8th Edition, Tata McGraw hill.
5. R.G.Lipsey and K.A.Chrysal (2004): *Economics*, 10th Edition (First Indian Edition), Oxford University Press.
6. Taslim and Chowdhury (1995): *Macroeconomic Analysis*, Prentice Hall.
7. W.H.Branson (1989): *Macroeconomic Theory and Policy*, 3rd Edition.