

**SEMESTER-IV
COURSE 2:
MACROECONOMICS**

Theory

Credits: 4

4 hrs/week

Course Objective: The objective of this course is to impart basic concepts, principles and theories of Macroeconomics to make the student understand the functioning of a macro economy.

Course Learning Outcomes:

After the completion of this course, the students will be able to

1. Explain the circular flow of national income in a macro economy, various concepts of national income and their measurement;
2. Compare and contrast the Classical and Keynes theories of employment and their relevance to the present day economies;
3. Evaluate Keynes' theories of consumption and investment functions and their implications to the economy;
4. Analyse causes and the measures to control inflation and trade cycles in the economy;
5. Evaluate the structure and components of balance of payments, exchange rate systems and capital flows to achieve internal and external stability.

Unit - 1: Introduction to Macroeconomics and National Income

- Macroeconomics: Definition, Scope and Importance; Macroeconomic variables: Stock and Flow
- Circular Flow of Income: Two, Three and Four Sector economies
- National Income: Definition, Concepts, Importance
- Measurement of National Income and Difficulties

Unit -2: Theories of Employment

- Classical Theory of Employment, Say's Law of Market,
- Pigou's Wage-Price Flexibility,
- Keynesian Theory of Employment: Assumption, Concepts and Model,
- Classical theory vs Keynesian theory of employment.

Unit -3: Consumption and Investment

- Consumption: Factors, Consumption Function,
- Keynes' Psychological Law of Consumption, life cycle hypothesis
- Investment: Types, Factors, Investment Function, Marginal Efficiency of Capital,
- Working of Multiplier and Accelerator

Unit - 4: Inflation and Trade Cycles


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- Inflation: Meaning and types
- Measurement - Consumer Price Index and Wholesale Price Index
- Causes, Consequences and Controlling of Inflation
- Trade Cycles: Phases, Causes and Controlling Measures

Unit- 5: Globalization, External Sector and Macroeconomic Linkages

- Role of Foreign Trade and Capital flows in Domestic Economy
- Exchange rate systems: Fixed, Flexible, and Managed Floating
- Balance of Payments: Structure, current account, capital account and their significance
- Bilateral, Multilateral Trade Agreements and WTO

References:

1. Macroeconomic Analysis, Bilingual Textbook, APSCHE
2. H. L. Ahuja (2004), *Advanced Economic Theory*, New Delhi: S. Chand.
3. P. N. Chopra (2014), *Macroeconomics*, Ludhiana: Kalyani Publishers.
4. D. M. Mithani (1990), *Macro Economic Analysis and Policy*, New Delhi: Himalaya Publications.
5. Telugu Academy Publications on Macroeconomics
6. Macroeconomics, Dr. Br. Ambedkar Open University Material
7. Macroeconomics, IGNOU Material

Suggested Activities:

- Unit-1. Practical Exercise on national income measurement
- Unit-2. Group discussion on relevance of Classical and Keynesian employment theories to current economic situation
- Unit-3. Seminar presentations on the implications of Keynes' Psychological Law of Consumption
- Unit-4. Assignment on current measures to control inflation
- Unit-5. Quiz on sectoral and regional flow of FDI in India and debate on monetary vs fiscal policy

Minor

SEMESTER-IV

COURSE-2: MACRO ECONOMICS

Under CBCS New Regulation w.e.f. Academic Year 2026-27

Time:3 Hours

Max.Marks: 75

SECTION-A

Write Short Answer for any Five of the Following. Each Question carries 3 Marks (5X3= 15)

1. Stock and Flow Variables with examples.
2. Importance of National Income in economic planning.
3. Say's Law of Market.
4. Differences between Classical and Keynesian views on employment.
5. Determinants of Consumption.
6. Working of Multiplier.
7. Consumer Price Index (CPI) and Wholesale Price Index (WPI).
8. Phases of Trade Cycle.
9. Current Account vs Capital Account.
10. Fixed Exchange Rate vs Flexible Exchange Rate.

SECTION-B

Answer the following Questions. Each Question Carries 12 Marks (5 X12= 60)

- 11(a) Define Macroeconomics. Explain its scope, importance and macroeconomic variables (stock and flow). Describe the Circular Flow of Income in two, three and four sector economies.

(or)

- (b) Define National Income. Explain the concepts of National Income and discuss the methods of measurement along with difficulties in measurement.

12(a) Explain the Classical Theory of Employment. Discuss Say's Law of Markets and Pigou's Wage-Price Flexibility.

(or)

(b) Explain the Keynesian Theory of Employment. Compare and contrast the Classical and Keynesian theories.

13(a) Explain the Consumption Function. Discuss Keynes' Psychological Law of Consumption and the Life Cycle Hypothesis.

(or)

(b) Define Investment. Explain the Marginal Efficiency of Capital (MEC). Describe the working of Multiplier and Accelerator.

14(a) Define Inflation. Explain its types, causes, consequences and control measures. Describe the measurement of inflation using CPI and WPI.

(or)

(b) What are Trade Cycles? Explain the phases of trade cycle, causes and measures to control business fluctuations.

15(a) Explain the structure of Balance of Payments (BOP). Discuss the significance of Current Account and Capital Account.

(or)

(b) Explain different Exchange Rate Systems – Fixed, Flexible and Managed Floating. Discuss the role of foreign trade and capital flows in achieving macroeconomic stability.


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