

Macroeconomics

THEORY, ANALYSIS AND POLICY

Dr. Raj Kumar

CONTENTS AT A GLANCE

P	reface	v
	PART-I: INTRODUCTION	
1.	Introduction to Macroeconomics: Issues, Concepts, Model Building The Circular Flow of Income and Expenditure in an Economy	3 22
	PART-II: DETERMINATION OF NATIONAL INCOME	
3.		35
4.	Classical Theory of Income, Output and Employment	56
5.	Keynesian Theory of Income and Employment	66
6.	Income Determination: In Closed Economic System	83
7.	Income Determination: In an Open Economic System	91
8.	Multiplier Analysis: Investment, Balanced Budget and Foreign Trade Multipliers	107
	PART-III: CONSUMPTION AND INVESTMENT	
9.	The Theories of Consumption Function	135
10.	Theories of Investment and Capital Accumulation	145
11.	Saving Function and Saving Investment Equality	168
	PART-IV: THEORY OF MONEY AND INTEREST	
12.	Money: Meaning, Kinds and Functions	181
3.	Supply of Money	197
4.	The Demand for Money and Interest Rate: The Classical Approach	214
5.	The Demand for Money and Interest Rate: The Keynesian Approach	227
6.	The Demand for Money and Interest Rate: The Post-Keynesian Approach	239
	PART-V: PRODUCT AND MONEY MARKET EQUILIBRIUM: IS-LM MODEL	
7.	IS-LM Model: Two Sector Framework	255
3.	IS-LM Model: With Government and Foreign Sectors	267
	Determination of Output Prices and Employment: A Keynesian-Classical Synthesis	279
	Post-Keynesian Macroeconomics	295
	PART-VI: INFLATION AND UNEMPLOYMENT	
	Inflation: Definition, Measure and Effects	311
	Theories of Inflation: Cause and Solution	325
1	Inflation and Unemployment: Philips Curve Analysis	341

	PART-VIE ANALYSIS OF MACROECONOMICS POLICIES: MONETARY AND FISCAL	
24.	Introduction to Macroeconomic Policy	
25.	Monetary Policy	23
26.	Fiscal Policy	46
27.	Monetary Fiscal Policy Mix	329
	PART-VIII: INTERNATIONAL ASPECTS OF MACROECONOMICS	-
28.	International Business Environment: An Overview	
29.	Foreign Exchange Management	413
30.	Balance of Payments Analysis	428
	PART-IX: ECONOMIC GROWTH AND BUSINESS CYCLES	443
31.	Theories of Economic Growth	
32.	Business Cycles and Global Recession	473
Index		493
•	project summand near the specific summand the second summand s	531

LEGERALISM SAUTHER TOUR TRANSPORTED BY A TRANSPORTED BY A

DETAILED CONTENTS

Preface

	PART-I	
TATELLE	INTRODUCTION	
1. Int	roduction to Macroeconomics: Issues, Concepts, Model Building Introduction	3-21
	What is Macroeconomics?	3
	Scope of Macroeconomics	3
IV.	Key Concepts in Macroeconomics	4 5
V.	Use of Macroeconomics	7
and the same of	Limitations of Macroeconomics	8
-	Key Concepts in Macroeconomic Analysis	9
VIII.	Microeconomics	14
IX.	Importance of Microeconomics	16 9
XI.	Limitations of Microeconomics	18
XI.	Difference between Microeconomics and Macroeconomics	19
XII.	Relation Between Micro and Macroeconomics	20
2. Th	e Circular Flow of Income and Expenditure in an Economy	22-32
I.	Introduction	22
II.	Meaning of Economic Activity	22
	Basic Economic Activities and Their Inter-Relationship	2
IV.	Circular Flow of Economic Activities	2
	Circular flow in a Closed Economy	2
VI	Circular flow in an Open Economy	PER BE
VII.	Importance of Circular Flow in Economic Activities (Conclusion)	
	PART-II	
	DETERMINATION OF NATIONAL INCOME	
a Nie	tional Income: Concepts and Measurement	
	Introduction	
1.	Meaning of National Income	
TTT	Cto of National Income	
111.	Concepts of National Income National Income at Current Prices and National Income at Constant Price National Income at Current Prices and National Income	
IV.	National Income at Culter Trices and Income Into Real National Income Conversion of Monetary National Income Into Real National Income	
V.	Conversion of Monetary National Income Into Item	
VI.	The GNP Deflator and its Application	
VII	Some Other Income Aggregates	
WIII	Measurement of National Income	
IX	Product Method or Value Added Method	
Y	Income Method	
8 1145	大工艺术,但是一个大工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工	
XI.	Expenditure Method	

	XII. Triple Identity XIII. National Income as a Measure of Economic Welfare XIII. National Income in the Calculation of National Income	51
	XII. Imple Ideasure of Economics XIII. National Income as a Measure of Economics XIV. Difficulties in the Calculation of National Income XIV. Difficulties in the Calculation of Mational Income	51 52
	XIV. Difficulties in the Care Care Care Care Care Care Care Car	
4	Classical Theory of All Francomists?	56-55
	Classical Economists.	56
	II. Assumptions of Classical Theory Of Classical Theory of Employment	56 56
	IV. Explanation of Classical Theory V. Equilibrium in the Classical System or Classical Model of Income, Employme V. Equilibrium in the Classical System or Classical Model of Income, Employme	nt 56 59
	and Output	
	VI. Criticism of Classical Theory of Employment VII. Difference Between Classical Views and Keynesian Views	62
	VII. Difference between Classical Employment	64
5	Keynesian Theory of Income and Employment	66-82
	I. Introduction	66
	II. Background III. Assumptions of Keynesian Theory of Employment Theory	66
	III. Assumptions of Reynesian Theory IV. Explanation of Keynesian Theory	66
	The state of the s	66
	VI Does Equilibrium Point Represents Full Employment Level.	70
	TYTE TO Classical Economics	71
	VIII Difference Between Keynesian and Classical Theory of Employment	71
	IX. Keynesian Theory Expressed in Terms of Model	74
	X. Criticism of Keynesian Theory	76
6.	Income Determination: In Closed Economic System	83-90
	I. Introduction	83
	II. Equilibrium Income Determination in Closed Economy III. Income Determination in Two Sectors Model or Under C + I	83
	III. Income Determination in Two Sectors Model or Under C + I + G IV. Income Determination in Three Sectors Model or Under C + I + G	83
		87
7.	Income Determination: In an Open Economic System	91-106
	I. Introduction	91
	II. Meaning of Open Economies III. Meaning of Equilibrium Level of Income	91
	IV. Characteristics and Assumptions of an Open System	91
	V. Approaches to Determine Equilibrium Level of Income	91
	V. The Determination of Equilibrium Level Income By AD and AS Approach	92 93
	VI. The Determination of Equilibrium Level of Income by S and I Approach	94
	III. Changes in Equilibrium Level of Income under $C + I + G + (X - M)$ Or in an Economy (Four Sectors Model)	
1	III. Does equilibrium Always Represent the State of Full Employment?	101
	IX. Income Determination in an Open Economy with Foreign Repurcussions or Backwash Effect	101
•	Multiplier Analysis: Investment, Balanced Budget and Foreign Trade Multiplie I. Introduction	rs 107-132 107
	II. Investment Multiplier (Multiplier in Two Sectors Model)	107
	II. Balanced Budget Multiplier (Multiplier in three Sectors Model)	121
	V. Foreign Trade Multiplier (Multiplier in four Sectors Model)	125

PART-III CONSUMPTION AND INVESTMENT

9. The Theories of Consumption Function	133-144
I. Introduction	135
II Absolute Income Hypothesis	135
III. Controversy About Long Period CFs and Recent Development or Reconciliation	136
between SP & LP CF	137
IV. Relative Income Hypothesis of Dussenberry	139
V. Permanent Income Hypothesis VI. Life Cycle Hypothesis	142
10. Theories of Investment and Capital Accumulation	145-167
I. Introduction	145
	145
	148
	1/0
II. Meaning of Investment III. Propensity to Invest IV. Inducement to Invest V. Other Factors Affecting Inducement to Investment VI. Meaning of Marginal Efficiency of Capital—The Determinant of Investment VII. Determination of Marginal Efficiency of Capital VIII. Marginal Efficiency of Capital in General IX. Marginal Efficiency of Capital Schedule X. Importance of Marginal Efficiency of Capital XI. Effect of Elasticity of MEC, curve on volume of Investment XII. Factors Affecting Marginal Efficiency of Capital XIII. Accelerator Theory of Investment 11. Saving Function and Saving Investment Equality I. Introduction II. Meaning of Saving III. Different Concepts of Saving IV. Saving Function V. Saving is a Virtue or Vice or Paradox of Thrift VI. Equality between Saving and Investment	150
VI Meaning of Marginal Efficiency of Capital—The Determinant of Investment	152
	153
	155
	155
	157
	158
	159
	161
ALTERNATION OF THE PROPERTY OF	168–177 168
	168
	168
	169
V. Saving is a Virtue or Vice or Paradox of Thrift	170
VI. Equality between Saving and Investment	171
VII. Are Saving and Investment always Equal?	176
VIII. Modern views about saving and Investment equality	176
PART-IV THEORY OF MONEY AND INTEREST	
	101 104
12. Money: Meaning, Kinds and Functions	181-196 181
I. Introduction	181
II. Nature of Money	183
III. Definitions of Money	
IV. Johnson's Approaches on the Concept of Money	185
V. Money and Near Money Assets	18'
VI. Classification of Money	18
VII. Functions of Money	19
VIII. Static vs. Dynamic Functions of Money	The state of the s
IX. Significance of Money in a Modern Economy	19

ANALYSIS OF MACROECONOMICS POLICIES: MONETARY AND FISCA

ANALISIS OF MINTERSON PISCA	
24. Introduction to Macroeconomic Policy	
1 Introduction	393
II. Meaning of Macroeconomic Policy	No.
III. Scope of Macroeconomic Policy	
IV. The Need and the Growth of Macro Economic Policy	20
V. Objectives of Macroeconomic Policies VI. Conflicts and Coordination of Objectives	24
VII. Objectives of Macroeconomic Policy of India	754
	254
25. Monetary Policy	×3
I. Introduction	365-378
II. Meaning of Monetary Policy	365
III. Instruments of Monetary Policy	365
IV. Objectives of Monetary Policy V. Conflicts on Trade off in Monetary Coals	366
V. Conflicts or Trade off in Monetary Goals VI. Choosing a Suitable Objective of Monetary Policy	367
VII. Limitations of Monetary Policy	373
VII. Limitations of Worker	374
26. Fiscal Policy	375
I. Introduction	379-395
II. Meaning of Fiscal Policy	379
III. Scope of Fiscal Policy	379
IV. Instruments of Fiscal Policy	380
V. Fiscal Policy: Objectives and Achievements	380
VI. Fiscal Policy in a Developing Country	381
VII. Limitations of Fiscal Policy	384
VIII. Effectiveness of Fiscal Policy	387
IX. Target Variables of Fiscal Policy and Relationship with Fiscal Instruments	389
X. Kinds of Fiscal Policy	391
XI. Automatic Vs Discretionary Fiscal Policy	391
7 Monotowy Fiscal Policy Mix	394
7. Monetary Fiscal Policy Mix	396-409
I. Introduction .	396
II. Relative Effectiveness of Fiscal and Monetary Policies	396
III. Integration Between Monetary Policy and Fiscal Policy	401
IV. Internal and External Balances	402
V. Mundell's approach: Assignment of Roles to Monetary and Fiscal Policies	403
VI. Monetary Policy and Fiscal Policy Mix for Economic Development	407
PART-VIII TATTERNIATIONIAL ASPECTS OF MACROSCOMOMICS	
INTERNATIONAL ASPECTS OF MACROECONOMICS	
International Business Environment: An Overview	413-42
I. Introduction	41
II. International Business—Four Dimensional Construct	41
	41
III. Factors Leading to wide Acceptability of International Business	41
IV. Concept of International Business Environment	41
V. Significance of International Business Environment	

VI.	Aspects of International Business Environment International Business Environment and Macro Environment Components	416 425
		8-442
	Introduction	428
	Foreign Exchange and foreign Exchange Market	428
III.	A Brief History and the Precent Eychange Pate System	429
IV.	Foreign Exchange Market Structure	430
V.	Functions of foreign Eychange Market	431
VI.	Classification of foreign Evaluate	431
VII.	The Nature of Fernian Euchanna Tuescations	432
VIII.	Determination of fourier Euchanna Data	432
IX.	Purchaging Davies Davies Davies	436
	Polomes of Donner of	439
XI.	Regulating and controlling Foreign Exchange markets.	440
	Methods of Exchange control	440
	Fixed Exchange Rate vs. Floating Exchange Rate	441
30. Bal	ance of Layments Analysis	43-470
I.	Introduction	443
П.	Balance of Trade	443
	Balance of Payments	443
	Difference Between Balance of Trade and Balance of Payments	444
V.	Composition or Structure of Balance of Payments	445
	Items of Balance of Payments	447
	Balance of Payments are Always Balanced	448
VIII.	Disequilibrium in balance of Payments	450
IX.	Kinds of Disequilibrium in Balance of Payments	450
X.	Causes of Disequilibrium in Balance of Payments	451
XI.	Measures to Correct Adverse Balance of Payments	452
XII.	Automatic BOP Adjustment Under Fixed Exchange Rate (Classical Approach)	455
XIII	Automatic Adjustment of BOP Under Flexible Exchange Rate (Classical Approach	h) 456
	Balance of Payments Adjustment Through Policy Measures or Expenditure Polic (The Interventionist Approach)	y 458
XV	Impact of Devaluation on Balance of Payments	460
XVI	Balance of payment Adjustment Through Monetary and fiscal Policies	465
XVII	Monetary-Fiscal Mix and BOP Adjustment	468
	PART-IX ECONOMIC GROWTH AND BUSINESS CYCLES	
		473-492
	neories of Economic Growth	473
	. Introduction	473
	. Harrod-Domar Model of Growth	474
	. Domar's Frame Work	477
	/. Harrod's Framework	480
1	/. Comparison between Harrod and Domar Models	481
	I. Relevance of HD models to Less Developed Countries (LDC's)	483
	I. Criticism or limitations of H-D Models	484
VII	I. The Neo-classical Theory of Growth	

- X. Solow's Model without Money
- Solow Model with Money
- Criticism of Solow's Model
- XIII. Relevance of Solow's Model to Less Developed Countries

32. Business Cycles and Global Recession

- I. Introduction
- II. Meaning of Business Cycles
- III. Phases of Business Cycles
- IV. Causes of Business Cycles
- V. Theories of Business Cycles
- VI. Measures to Control Business Cycles
- VII. The Global Recession of 2008-09
- VIII. The Origin of the Global Recession
 - IX. Factors Responsible for the Global Recession
 - X. Impact of the global recession on World Economy
- XI. Impact of Global Recession on Indian Economy
- XII. Measures to tackle Global Recession
- XIII. Factors responsible for the recovery from Global recession

Index

518