

CONTENTS

	<i>Page</i>
<i>Foreword</i>	I-5
<i>About the Authors</i>	I-7
<i>Acknowledgements</i>	I-9
CHAPTER 1 GETTING STARTED	
1.1 Introduction	1
1.2 Classification	2
1.3 Environmental Analysis	8
1.4 Conclusion	11
◆ Facts and Insights	11
◆ Exercises	12
CHAPTER 2 DIMENSIONS OF BUSINESS ENVIRONMENT	
2.1 Introduction	16
2.2 Types of Business Environment	17
2.3 Managerial Implications	32
◆ Facts and Insights	34
◆ Exercises	35
CHAPTER 3 FROM MICRO MANAGEMENT TO MACRO MANAGEMENT	
3.1 Introduction	38
3.2 Micro, Meso and Macro	39
3.3 Which Kind of Macroeconomy?	40

	<i>Page</i>	
3.4	Why don't the Principles of Microeconomics Always Work at the Macro Level?	43
3.5	How does a Macro Economy Look Like?	44
3.6	Key Macroeconomic Variables	45
3.7	Framework of Macroeconomic Analysis or Modelling	48
3.8	Data and Information on Macro Variables	51
3.9	Benefits of Macroeconomic Perspective	56
◆	Facts and Insights	60
◆	Exercises	62

CHAPTER 4 MACROECONOMICS IN HISTORICAL PERSPECTIVE

4.1	Introduction	68
4.2	Modern History of Economics and the Classical Model	69
4.3	Marxist View of Economics	71
4.4	The Great Depression and its Impact on Economic Thought	72
4.5	Business or Trade Cycles	73
4.6	Keynesian Economics and Prescriptions	75
4.7	Monetarism	80
4.8	Macroeconomic thought and Practice from 1980s Until the Great Recession	83
4.9	Macroeconomic thought and Practice since the Great Recession of 2007-2009	85
4.10	COVID-19 and Macroeconomics	86
4.11	Conclusion	87
◆	Facts and Insights	87
◆	Exercises	89

CHAPTER 5 NATIONAL INCOME: CONCEPTS AND MEASUREMENT

5.1	Introduction	93
5.2	National Income or GDP as the Main Indicator of Aggregate Economic Activity	94
5.3	Gross Domestic Product (GDP) and Related Concepts	95
5.4	National Output, Income and Expenditure: Equivalence and Circular Flow	103
5.5	Measuring National Income	111
5.6	National Income Measurement in India	114
5.7	Managerial Implications	119
◆	Facts and Insights	120
◆	Exercises	122

CHAPTER 6 ECONOMIC GROWTH AND DEVELOPMENT

6.1	Introduction	127
6.2	Drivers of Economic Growth	128
6.3	Growth Accounting and Total Factor Productivity (TFP)	133
6.4	International Comparisons	134
6.5	Growth Strategy	136
6.6	Economic Development	139
6.7	Growth Versus Equity	147
6.8	Managerial Implications	149
◆	Facts and Insights	150
◆	Exercises	151

CHAPTER 7 INCOME AND EMPLOYMENT

7.1	Introduction	156
7.2	Relationship between Income and Employment	157
7.3	Employment Related Concepts	158
7.4	Income and Employment Determination	167
7.5	Classical Model	168
7.6	Keynesian Model	170
7.7	Role of the State in Reducing Unemployment: Other Perspectives	184
7.8	Managerial Implications	185
◆	Facts and Insights	186
◆	Exercises	188

CHAPTER 8 FISCAL POLICY AND THE BUDGET

8.1	Introduction	192
8.2	Definition and Components of Fiscal Policy	194
8.3	Economic Goals of Fiscal Policy	195
8.4	Budget: The Annual Financial Statement	197
8.5	Surplus, Deficit and Balanced Budgets	198
8.6	Sources and Components of Government's Earnings/Receipts and Expenditure	200
8.7	Variants of Government Deficit	201

	<i>Page</i>
8.8 Fiscal Policy Institutions and Practice in India	202
8.9 Fiscal Policy with Taxes and Expenditure in a Macro Model	209
8.10 Managerial Implications	209
◆ Facts and Insights	212
◆ Exercises	214

CHAPTER 9 MONEY AND BANKING

9.1 Introduction	219
9.2 Barter System	220
9.3 Forms of Money	220
9.4 Functions of Money	225
9.5 Commercial Banking	226
9.6 Credit Creation by (Profit-Maximizing) Commercial Banks	229
9.7 Commercial Banking in India	233
9.8 Managerial Implications	240
◆ Facts and Insights	241
◆ Exercises	243

CHAPTER 10 INFLATION

10.1 Introduction	248
10.2 What is Inflation?	249
10.3 Why is Inflation an Issue? Adverse Effects of Inflation	250
10.4 Measuring Inflation	252
10.5 Types of Inflation Based on Magnitude	258
10.6 Theories of Inflation	260
10.7 Inflation in India	264
10.8 Managerial Implications	265
◆ Facts and Insights	266
◆ Exercises	267

CHAPTER 11 CENTRAL BANKING, MONETARY POLICY AND INTEREST RATES

11.1 Introduction	271
11.2 Interest Rate	272

	<i>Page</i>
11.3 Functions of a Central Bank	277
11.4 Means of Credit Control	282
11.5 Monetary Policy	286
11.6 Central Banking in India	293
11.7 Managerial Implications	296
◆ Facts and Insights	300
◆ Exercises	303
CHAPTER 12	INTEGRATION OF FISCAL AND MONETARY POLICIES (IS-LM MODEL), PHILLIPS CURVE AND STAGFLATION
12.1 Introduction	307
12.2 The IS-LM Model	308
12.3 Where is Inflation? The Phillips Curve	317
12.4 Stagflation	319
12.5 Managerial Implications	321
◆ Facts and Insights	321
◆ Exercises	337
CHAPTER 13	MACROECONOMIC MANAGEMENT IN AN OPEN ECONOMY
13.1 Introduction	340
13.2 International Trade or International Microeconomics Versus International Finance, International Macroeconomics or Open-Economy Macroeconomics	341
13.3 Exchange Rate Concepts and an Introduction to the Foreign Exchange Market	342
13.4 (Nominal) Exchange Rate Determination	348
13.5 Balance of Payments	356
13.6 International Financial Institutions at a Glance	366
13.7 Income Determination in an Open Economy	368
13.8 Fiscal and Monetary Policies in a Floating Exchange Rate System	373
13.9 An Overall View of Fiscal and Monetary Policies in Open Economies	375
13.10 Managerial Implications	375
◆ Facts and Insights	375
◆ Exercises	380
◆ <i>Partial Answers for Selected Questions</i>	384