Chapter I

MACRO-ECONOMIC THEORIES & POLICY PERSPECTIVES

1) INTRODUCTION
   I) Planning Process for Development
   II) Infrastructural Indicators for Development
   III) New Economic Industrial Policy & Other Policies
   IV) Political Aspect
   V) Classical Views
   VI) Orthodox Keynesian Schools
       a) Money Market Equilibrium
       b) Demand for Money
       c) Supply of Money
       d) Stability and Equilibrium in Product-Money Market
       e) Monetary-Fiscal Policy Mix
       f) External Stability
       g) Macro-Economics Stability (External-Internal)
       h) Fiscal Policy and Macro-Economic Stability
          (effects of fiscal policy on macroeconomics stability)
       i) Policy Disturbances

2) OBJECTIVES OF THE STUDY

3) RESEARCH METHOD

4) HYPOTHESIS

5) CHAPTER PLANE
LIST OF DIAGRAMS

Figure 1: Keynes v. Old Classical Model
(determination of the price level in the classical model) 7

Figure 2: The IS Curve: a shift in saving 11

Figure 3: Equilibrium Pairs of \( r' \) (Rate of Interest) & \( y' \) (Income) 13

Figure 4: Demand Side Equilibrium
(Income and the interest rate) 15

Figure 5: Derivation of LM Curve 17

Figure 6: Equilibrium in Markets. 18

Figure 7: Monetary — Fiscal policy Mix 19

Figure 8: Derivation of FE Curve in the N.E. 20

Figure 9: FE Curve B.O.P. Aspects 21

Figure 10: Slopes of LM & FE Curve
(Fixed exchange rate) 22

Figure 11: Slopes of LM & FE Curve
(Flexible exchange rate) 22

Figure 12: Fiscal Policy and Macroeconomic Stability (Fixed) 24

Figure 13: Fiscal Policy and Macroeconomic Stability (Flexible) 24

Figure 14: Balance of Payment Adjustment. 26
Chapter II

SURVEY OF LITERATURE

I Introduction 34

II Various Aspects Relevant to Macro-Economics 36

III Stabilization and Growth 37

IV Planning & Growth 37

V Controversies – Development & Monetary Policies 38

VI Balance of Payment 38
Chapter III

MACROECONOMICS
SUSTAINABILITY &
GROWTH DURING THE PLANNING PERIOD IN THE CONTEXT OF INDIAN ECONOMY

I. Introduction
   a) Sustaining Higher Growth in India 69
   b) Per-Capita - NDP Capital per Labor - Future Projection 74
   c) Infrastructure 80
   d) Sustainability of Higher Growth 84
   e) Share in Global Growth 89

II. Indian Economy's Success
   a) Basic Requirement, Economic & Non-economic Factor & Obstacle to Economic Development 97
   b) Capital Formation 103
   c) National Income Estimate 118
      i) Measurement 121
      ii) Trend in NNP 122
      iii) Limitation of National Income Estimation 126

(viii)
## LIST OF TABLE — CHAPTER III

<table>
<thead>
<tr>
<th></th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Predication of Indian Growth Experiences</td>
<td>71</td>
</tr>
<tr>
<td>2</td>
<td>Total Factor Productivity Growth (per cent per annum)</td>
<td>75</td>
</tr>
<tr>
<td>3</td>
<td>Macro Economic Parameters for 9th, 10th and 11th Plan</td>
<td>77</td>
</tr>
<tr>
<td>4</td>
<td>Policy regimes and growth rates of GDP in South Asia</td>
<td>81</td>
</tr>
<tr>
<td>5</td>
<td>Sources of Growth in East Asia</td>
<td>82</td>
</tr>
<tr>
<td>6</td>
<td>Share in Global Growth</td>
<td>89</td>
</tr>
<tr>
<td>7</td>
<td>Per Capita Income Growth Rate</td>
<td>120</td>
</tr>
<tr>
<td>8</td>
<td>C.S.O. Revised National Income Services with 1990 to 2005</td>
<td>122</td>
</tr>
<tr>
<td>9</td>
<td>Trends in Income Growth &amp; Structures</td>
<td>123</td>
</tr>
<tr>
<td>10</td>
<td>Net National Product at Factor Cost and Per Capita NNP</td>
<td>125</td>
</tr>
</tbody>
</table>
Chapter IV

Money Supply and Prices

I. Introduction 128
   a) What is Money? 129
   b) Kinds of Money 129
   c) Money & Near Money 131

II. functions of Money: Indian currency system 131

III. Volume of money supply in India 134
    a) Narrow money and broad money 136
    b) Monetary aggregates in India 138
    c) Broad Money (M₃) 140

IV. Factor affecting Money Supply in India 141

V. Money Multiplier 148

Prices and Monetary management 149
   a) The Nature of Prices (Policy) 149
   b) Types of Prices 150
   c) Price Policy 150
   d) Role of Prices 151
### LIST OF TABLE — CHAPTER IV

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Money Supply with Public in India (M1) (as on March 31)</td>
<td>136</td>
</tr>
<tr>
<td>2</td>
<td>Money Stock Measures (as on March 31)</td>
<td>138</td>
</tr>
<tr>
<td>3</td>
<td>Broad Money (M2) (1990-91 — 2003-04)</td>
<td>144</td>
</tr>
<tr>
<td>4</td>
<td>Reserve Money (1980-81 — 2003-04)</td>
<td>146</td>
</tr>
<tr>
<td>5</td>
<td>Money Multiplier (1980-81 — 2002-04)</td>
<td>148</td>
</tr>
</tbody>
</table>
# Chapter V

## ANALYSIS OF THE STUDY & ITS FINDING

I. Introduction 152  
II. Analytical tools 154  
III. Statistics of Monetary Indicator 157  
IV. Processing of Data 160  
V. Findings of the Study  
  a) Correlation of GDP 161  
  b) Regression Analysis 165  
  c) Explanation with help of Charts, Equation, and Example 168
Chapter VI

POLICY IMPLICATIONS

PART I
MONETARY POLICY — 187
a) Introduction 187
b) Targets – Indicators 188
c) Rules v. Discretion 188
   i) Active policies are unnecessary 189
   ii) Activist policies won’t work 192
   iii) The benefits of monetary rule 194

PART II
FISCAL POLICY — 195
a) Introduction 195
b) Criteria of effectiveness 196
c) The Method 196
d) Main findings 197
e) Conclusions 198
Chapter VII

CONCLUSION, SUGGESTIONS, LIMITATION AND SCOPE OF FURTHER STUDIES

I. INTRODUCTION 199

a) Theories highlighting macroeconomic Indicator 201

b) Suggestions - Globalization 205
   i) The TINA Assumption 206
   ii) Global Scenario 208
   iii) Move Growth vs. Less Growth 209
   iv) Experience Countries 210

c) Limitation of the study 211