



Birla Institute of Technology & Science, Pilani Hyderabad Campus

SECOND SEMESTER 2017-2018 Course Handout Part II

Date: 07-01-2019

In addition to part I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

Course No. : ECON F243

Course Title : Macroeconomics

Instructor -in-charge : Durgesh C Pathak

1. Course Description: Systems of national accounts; input output system; flow of funds system; monetary circulation & exchange; basic models of income determination; classical model; obstacles to full employment; Keynes' model; derivation of IS and LM functions; three sector model; four sector model; inflation & Phillips curve.

2. Scopes and Objective:

The course aims at enabling the students to understand the meaning, interdependence and determination of the equilibrium level of the macroeconomic variables like National Income, Saving, Investment, Consumption, Employment, Interest Rate, Wage Rate, Foreign Exchange Rate, etc. The methods and approach to macroeconomic modeling are also emphasized.

3. Text Book:

T1. Froyen, Richard T: *Macroeconomics: Theory and Policies*, A. W. Inc. ed; 10th ed. 1999.

4. Reference Books:

R1. Dornbusch, Fischer and Startz: *Macroeconomics*, 12th Edition, Tata McGraw-Hill

R2. Blanchard, Oliver: *Macroeconomics*, 4th edition, Pearson.

R3. Branson, W.H.: *Macroeconomics: Theory & Policy*, 3rd edition, Affiliated East-west Press Pvt Ltd.

5. Course Plan:

Lecture No.	Learning objectives	Topics to be covered	Chapter in the Text Book
I	Introduction & Measurement		
1-2	Introduction: Aggregation Problem	Importance of Macroeconomics	1, T1 Notes
3-4	National Income Estimation	Measurement of Macroeconomic variables	Class Notes
II	Classical Economics & the Keynesian Revolution		
5-7	Classical Economics(I) Job	Equilibrium output and Models of	2, T1

	Market	employment & Wages	
8-9	Classical Economics(II)	Money, Prices and Interest	3,T1 Notes
10-11	Keynesian Economics	Introduction and Evaluation	4 T1
12 -15	Keynesian Revolution	Models of Income Determination, Components of Aggregate Demand	4, T1 R3 Ch 9
16-20	Money and Commodity Market Equilibrium	Determination of Rate of Interest The IS-LM Model	5,6,7,T1 R3 Ch 10
21-22	Household Demand	Consumption Function	21,T1 R3 Ch 13
23-25	Production Sector Demand	Investment Function	21,T1 R3 Ch 14
III	Macroeconomic Theory after Keynes		
26-27	Keynesian Orthodoxy Challenged	Monetarist Models	10, T1
28	Policy Dilemma	Inflation & Unemployment	11.T1
29-30	Skepticism about Stabilization Policy	New Classical Models	12, T1
31-32	Macroeconomic Dynamics	Real Business Cycle Model	13, T1
IV	Open Economy Macroeconomics		
33-34	Open Economy	Exchange rates and International Monetary fund	15, T1
35-38	Monetary & Fiscal Policy in Open Economy	Monetary & Fiscal Policy in an Open Economy	16 T1 Notes
V	Economic Policy		
39	Determinants of Money Supply	Money Supply Models	17 T1
40	Policy Issues	Macro Policy, Policies to promote Growth & Conclusion	20, T1Notes
Total No. of Lectures (40)			

6. Learning Outcomes:

Module I: Introduction & Measurement

It is expected that after completing this module, the student should be able to summarize the primary issues addressed in Macroeconomics, describe the activities and objectives of Macroeconomists, differentiate between the three approaches to national income accounting, explain how GDP is measured, explain the calculation of real GDP, price indexes, and define real and nominal interest rates.

Module II: Classical Economics & the Keynesian Revolution

It is expected that after completing this module, the student should be able to discuss the production function properties and changes, describe factors that affect the demand for and supply of labour, identify the factors that affect labour market equilibrium, describe the factors that affect consumption and saving decisions in Classical and Keynesian system, discuss the factors that affect the investment behavior of firms in Classical and Keynesian system, explain the factors affecting the goods market

equilibrium, explain various versions of the quantity theory of money equations, the classical aggregate demand curve and the determination of interest rate in Classical and Keynesian systems and policy implications of change in determining factors, discuss the Keynesian system of aggregate demand, money, interest and price determination, analyze the policy implications of change in variables in Keynesian system, discuss the derivation of IS-LM framework and analyze policies using IS-LM framework

Module III: Macroeconomic Theory after Keynes

After completing this module, the student is expected to be able to understand and discuss various reformulations of the quantity theory of money, discuss monetarist models and analyze policy effects under these assumptions, understand alternative explanations of output, inflation and unemployment, discuss various models of new Keynesian and new Classical macroeconomics and analyze policy implications therein.

Module IV: Open Economy Macroeconomics

After completing this module, the student should be able to describe the real and nominal exchange rates, how they are related, and how they change over time, explain the determination of exchange rate using a supply and demand framework, use the relationship between exchange rates and international trade to develop an open economy IS-LM model, discuss and analyze the international effects of domestic macroeconomic policies, and evaluate the strengths and weaknesses of different types of exchange rate systems.

Module V: Economic Policy

It is expected that after completing this module, the student should be able to discuss monetary policy making process, understand various views of fiscal policy making and goals.

6. Evaluation Scheme:

EC No.	Components	Duration	Weight age (%)	Date, Time & Venue	Nature of Component
1.	Mid-Semester Exam	90 min.	30	12/3 9.00 - 10.30AM	CB
2.	Quiz-I	-	5	To be announced	CB
3.	Quiz-II	-	5	To be announced	CB
4.	Assignment-I	-	10	To be announced	OB
5.	Assignment-II	-	10	To be announced	OB
6.	Comprehensive Exam.	3 hrs.	40	03/05 FN	CB

7. Chamber Consultation Hour: To be announced in class

8. Notices shall be displayed on CMS/LTC/Department notice board.

9. Make-up policy: Make-up will be given only on Doctor's/Warden's recommendation and with prior (at least 01 day before the test/exam) permission of the Instructor-in-Charge/Instructor. Request for make-up made by phone/sms or during/after the test/exam would NOT be entertained at all. No make-up shall be granted for quizzes.

10. Academic Honesty and Integrity Policy: Academic honesty and integrity are to be maintained by all the students throughout the semester and no type of academic dishonesty is acceptable.

Instructor-In-charge
ECON F243