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**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:**

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| --- | --- | --- | --- |
| **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 Market | Equilibrium output and Models of employment & Wages | 2, T1 |
| 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.** **Leaning 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:**

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| --- | --- | --- | --- | --- | --- |
| **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.**

1. **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