

Core Economics Course 6: Intermediate Macroeconomics – I

Course code: IGECO-C302

Course Description

6credits

The course consists of 6 credits. Each credit constitutes of 15 marks.

This course introduces the students to formal modelling of a macro- economy in terms of analytical tools. It discusses various alternative theories of output and employment determination in a closed economy in the short run as well as medium run, and the role of policy in this context. It also introduces the students to various theoretical issues related to an open economy.

UNIT I: Aggregate Demand and Aggregate supply model

Aggregate Demand curve (with variable prices): Derivation of aggregate demand, shift in aggregate demand curve; Aggregate supply curve(with variable prices): shifts in aggregate supply curve, three ranges of short-run AS curve, Long run aggregate supply curve; interaction of aggregate demand and supply.

UNIT II: Inflation, Unemployment and Expectations

Inflation and unemployment – Phillips curve, causes of shifts in Phillips curve; long run Phillips curve; adaptive and rational expectations: relationship between short run Phillips curve and long run Phillips curve; policy ineffectiveness debate.

UNIT III: Open Economy Macroeconomics – I

Exchange rate determination, foreign exchange rate and balance of payments; purchasing power parity theory; asset market approach; monetary approach to balance of payments.

UNIT IV: Open Economy Macroeconomics – II

Mundell - Fleming model; Dornbusch's overshooting model; international financial markets- a brief description

UNIT V:

Tutorial I .

Assignment

Viva voce

Tutorial II

Class test

Presentation, group discussion

Readings:

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11th edition, 2010.
2. N. Gregory Mankiw, *Macroeconomics*, Worth Publishers, 7th edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5th edition, 2009.
4. Steven M. Sheffrin, *Rational Expectations*, Cambridge University Press, 2ⁿ edition, 1996.
5. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7th edition, 2011.
6. Errol D'Souza, *Macroeconomics*, pearson Education, 2009
7. Paul R. Krugman, Maurice Obstfeld and Marc Melitz, *International Economics*, Pearson Education Asia, 9th edition, 2012.