

HU 305: Macro Economics

Contact Hours- 04 (per week)

Examination Duration- 03

Credits- 04 (4-0-0)

Objective: This course deals with the principles of Macroeconomics. The coverage includes determination of and linkages between major economic variables; level of output and prices, inflation, interest rates and exchange rates. The course is designed to study the impact of monetary and fiscal policy on the aggregate behavior of individuals.

Course Content

Unit I: Measurement of macroeconomic variables: National Income Accounts, Gross Domestic Product, National Income, Personal and Personal disposable income; Classical theory of income and employment.

Unit II: Keynesian theory of Income and employment : simple Keynesian model, components of aggregate demand, equilibrium income, changes in equilibrium, multiplier (investment, Government expenditure, lump sum tax, foreign trade), effect of fiscal and monetary policy, crowding out, composition of output and policy mix, policy mix in action; ISLM model : properties of ISLM curves, factors affecting the position and slope of ISLM curves, determination of equilibrium income and interest rates, effect of monetary and fiscal policy, relative effectiveness of monetary and fiscal policy.

Unit III: Money: functions of money, quantity theory of money, determination of money supply and demand, H theory of money multiplier, indicators and instruments of monetary control; Inflation: meaning, demand and supply side factors, consequences of inflation, anti-inflationary policies, natural rate theory, monetary policy-output and inflation, Phillips curve (short run and long run)

Unit IV: Open Economy: brief introduction to BoP account, market for foreign exchange and exchange rate, monetary and fiscal policy in open economy, Mundell Fleming model (perfect capital mobility and imperfect capital mobility under fixed and flexible exchange rate)

Readings:

1. Froyen, R.P. (2011): Macroeconomics-theories and policies. Pearson:
2. Dornbusch and Fischer (2010). Macroeconomics. Tata McGraw Hill
3. N Gregory Mankiw (2010). Macroeconomics. Worth Publishers
4. Olivier Blanchard, Macroeconomics. Pearson
5. Errol D' Souza: Macroeconomics

Latest editions to be referred