



Semester: II				
Course Title: MACRO ECONOMICS			Marks: 100	
Course Code: M1BC230211T			Credits: 4	
Category: MDC				
Theory/Practical/Composite: Theory				
Course Overview: To examine the aggregate behaviour of an economy by analysing key macroeconomic variables such as output, unemployment, inflation, interest rates, and exchange rates.				
Course Outcome: After learning this course, the students will be able to:				
1. Define and identify GDP, NDP, GNP, and PDI; list the measures of money supply and recognize differences between real and nominal GDP; name and recall seigniorage and inflation tax; identify and recognize balance of payments components—current account, capital account, and Official Reserve Transactions.				
2. Describe and explain the saving–investment identity in an open economy, real vs. nominal GDP with the GDP deflator, the Simple Keynesian model, and the Paradox of Thrift; summarize and interpret business cycles and income determination; interpret multipliers; classify and interpret factors behind the positively sloped short-run aggregate supply curve; describe and explain causes, effects, and costs of inflation; and summarize and explain high-powered money and the Phillips Curve.				
3. Demonstrate the effects of fiscal and monetary policies on aggregate output and interest rates in IS-LM model; apply monetary and fiscal policy on Aggregate Demand; solve problems on sacrifice ratio, money multiplier and credit creation process; and demonstrate foreign exchange market mechanisms under fixed and flexible exchange rates.				
4. Analyse IS–LM equilibrium, policy effects, steady-state and golden-rule levels in the Solow growth model; examine twin deficits; differentiate and compare unemployment types and labour market interactions; organize and attribute changes in Aggregate Demand and the LM curve; compare and analyse fiscal and monetary changes in the short and long run.				
5. Evaluate and judge the effectiveness of fiscal and monetary policy in the IS–LM model with reference to crowding out and liquidity trap; argue the sources of economic growth through growth accounting; and justify and support the relative merits of fixed versus flexible exchange rate systems in the foreign exchange market.				
6. Create and construct the consumer price index (CPI); design and develop alternative shapes of the short-run aggregate supply (SAS) curve; and formulate and compose the vertical long-run aggregate supply (LAS) curve.				
Prerequisites: Basic algebra and numerical skills, logical reasoning and a foundational understanding of concepts such as national income, inflation, and savings and investment.				
SYLLABUS				
Unit with topic name	Content	Number of Classes	CO Mapping	Cognitive Level
Unit 1: National Income Accounting	<ul style="list-style-type: none"> • Concept and measurement of GDP, NDP, GNP and PDI • Saving-investment identity in open economy. 	14	CO1 CO2 CO4 CO6	K1 (REMEMBER) K2 (UNDERSTAND) K4 (ANALYSE)



	<ul style="list-style-type: none"> ● Government Budget Deficit and Twin Deficit ● Real vs. Nominal GDP and GDP Deflator. ● Construction of Price Indices: CPI 			K6 (CREATE)
Unit 2: Income and Interest Rates: Keynesian Cross Model and IS-LM Model	<ul style="list-style-type: none"> ● Business Cycle and Income Determination ● Simple Keynesian Model of Economic Fluctuation with Government spending and lump sum Taxes-Fiscal policy effect and multiplier, paradox of thrift ● Effect of interest rate on autonomous spending –IS curve. ● Income, interest rate and money demand function-LM curve. ● Economy's general equilibrium in terms of IS-LM model. ● Effectiveness of Fiscal and Monetary Policy in the IS-LM Model with specific reference to crowding out and liquidity trap. 	16	CO2 CO3 CO4 CO5	K2 (UNDERSTAND) K3 (APPLY) K4 (ANALYSE) K5 (EVALUATE)
Unit 3: Aggregate Demand, Aggregate Supply and The Great Depression	<ul style="list-style-type: none"> ● Flexible Prices and the aggregate demand (AD) Curve-Effect of change in prices on LM curve. ● Shifting the AD curve with monetary and fiscal policy. ● Alternative shapes of the Short Run Aggregate Supply Curve (SAS) ● Explanation of positively sloped short-run aggregate supply curve-fixed input cost (nominal wage, prices of raw material and level of productivity & technology) ● Vertical long run aggregate supply curve (LAS) ● Fiscal and monetary expansion in the short & long run. 	7	CO2 CO3 CO4 CO6	K2 (UNDERSTAND) K3 (APPLY) K4 (ANALYSE) K6 (CREATE)



Unit 4: Inflation, Unemployment and Labour market	<ul style="list-style-type: none"> ● Inflation: causes of rising and falling inflation, inflation and interest rates, social cost of inflation; ● Seigniorage and inflation tax. ● Unemployment: natural rate of unemployment, frictional and wait unemployment, labour market and its interaction with production system. ● Phillips Curve: trade-off between inflation and unemployment and Sacrifice Ratio. 	7	CO1 CO2 CO3 CO4	K1 (REMEMBER) K2 (UNDERSTAND) K3 (APPLY) K4 (ANALYSE)
Unit 5: Open Economy and Macroeconomic Policy	<ul style="list-style-type: none"> ● Balance of Payment Accounting - Current Account, Capital Account and ORT. ● Market for foreign exchange – fixed versus flexible exchange rates 	5	CO1 CO2 CO3 CO5	K1 (REMEMBER) K2 (UNDERSTAND) K3 (APPLY) K5 (EVALUATE)
Unit 6: Money and Banking System	<ul style="list-style-type: none"> ● Measures of money supply ● High powered money ● Money multiplier and credit creation of the commercial banking system. 	4	CO1 CO2 CO3	K1 (REMEMBER) K2 (UNDERSTAND) K3 (APPLY)
Unit 7: Economy in the Long Run	<ul style="list-style-type: none"> ● Solow Growth Model - Steady State Equilibrium - Golden Rule level of capital accumulation ● Growth Accounting – Sources of economic growth 	7	CO5 CO6	K5 (EVALUATE) K6 (CREATE)

Textbooks

1. Mankiw N.G; *Macroeconomics*, Worth Publishers Inc., U.S.
2. Gordon, R. J. (2013). *Macroeconomics: Pearson New International Edition*. Pearson Higher Ed.
3. Sikdar, S. (2020). *Principles of macroeconomics*. Oxford University Press.

Suggested readings

1. David Romer; *Advanced Macroeconomics*, TMH
2. Dornbush and Fisher; *Macroeconomics*, TMH.
3. Eroll D'Souza; *Macroeconomics*, Pearson
4. Hall and Papell; *Macroeconomics – Economic Growth, Fluctuations and Policy*, Viva Books

Web Resources

1. <https://www.rbi.org.in/>
2. <https://databank.worldbank.org/source/world-development-indicators>



Course outcomes (COs) and Cognitive Level Mapping

COs	CO Description	Cognitive levels
CO1	Define and identify GDP, NDP, GNP, and PDI; list the measures of money supply and recognize differences between real and nominal GDP; name and recall seigniorage and inflation tax; identify and recognize balance of payments components—current account, capital account, and Official Reserve Transactions.	K1 (Remember)
CO2	Describe and explain the saving–investment identity in an open economy, real vs. nominal GDP with the GDP deflator, the Simple Keynesian model, and the Paradox of Thrift; summarize and interpret business cycles and income determination; interpret multipliers; classify and interpret factors behind the positively sloped short-run aggregate supply curve; describe and explain causes, effects, and costs of inflation; and summarize and explain high-powered money and the Phillips Curve.	K2 (Understand)
CO3	Demonstrate the effects of fiscal and monetary policies on aggregate output and interest rates in IS-LM model; apply monetary and fiscal policy on Aggregate Demand; solve problems on sacrifice ratio, money multiplier and credit creation process; and demonstrate foreign exchange market mechanisms under fixed and flexible exchange rates.	K3 (Apply)
CO4	Analyse IS–LM equilibrium, policy effects, steady-state and golden-rule levels in the Solow growth model; examine twin deficits; differentiate and compare unemployment types and labour market interactions; organize and attribute changes in Aggregate Demand and the LM curve; compare and analyse fiscal and monetary changes in the short and long run.	K4 (Analyse)
CO5	Evaluate and judge the effectiveness of fiscal and monetary policy in the IS–LM model with reference to crowding out and liquidity trap; argue the sources of economic growth through growth accounting; and justify and support the relative merits of fixed versus flexible exchange rate systems in the foreign exchange market.	K5 (Evaluate)
CO6	Create and construct the consumer price index (CPI); design and develop alternative shapes of the short-run aggregate supply (SAS) curve; and formulate and compose the vertical long-run aggregate supply (LAS) curve.	K6 (Create)