



Semester: II		
Course name: <b>MACRO ECONOMICS</b>		
Course code: M1BC230211T		
Course Credits: 4		
Pedagogy: Classrooms lecture, Case studies, Group discussion & Seminar		
Course Description: To study the aggregate behaviour of an economy by analysing the behaviour key macroeconomic aggregates such as output, unemployment, inflation, interest rates and exchange rates.		
Learning Objectives: The course aims to help learners to acquire conceptual knowledge of; LO1. Mmacro economics and explain how the key macroeconomic indicators are used to assess the state of the economy LO2. Economic growth and identify key institutional factors that contribute to economic growth		
Course Outcomes: On successful completion of the course, students will be able to: CO1. Understand the overall structure of the economy in theoretical and contemporary perspectives CO2. Understand the theoretical foundations and probable impacts of various policy prescriptions in an economy		
Unit (No. and Name)	Details	No. of classes
<b>Unit 1: National Income Accounting</b>	<ul style="list-style-type: none"> <li>● Concept and measurement of GDP, NDP, GNP and PDI</li> <li>● Saving-investment identity in open economy.</li> <li>● Government Budget Deficit and Twin Deficit</li> <li>● Real vs. Nominal GDP and GDP Deflator.</li> <li>● Construction of Price Indices: CPI</li> </ul>	<b>14</b>
<b>Unit 2: Income and Interest Rates: Keynesian Cross Model and IS-LM Model</b>	<ul style="list-style-type: none"> <li>● Business Cycle and Income Determination</li> <li>● Simple Keynesian Model of Economic Fluctuation with Government spending and lump sum Taxes- Fiscal policy effect and multiplier, paradox of thrift</li> <li>● Effect of interest rate on autonomous spending –IS curve.</li> <li>● Income, interest rate and money demand function- LM curve.</li> <li>● Economy's general equilibrium in terms of IS-LM model.</li> <li>● Effectiveness of Fiscal and Monetary Policy in the IS-LM Model with specific reference to crowding out and liquidity trap.</li> </ul>	<b>16</b>



<b>Unit 3: Aggregate Demand, Aggregate Supply and The Great Depression</b>	<ul style="list-style-type: none"><li>• Flexible Prices and the aggregate demand (AD) Curve-Effect of change in prices on LM curve.</li><li>• Shifting the AD curve with monetary and fiscal policy.</li><li>• Alternative shapes of the Short Run Aggregate Supply Curve (SAS)</li><li>• Explanation of positively sloped short-run aggregate supply curve-fixed input cost (nominal wage, prices of raw material and level of productivity &amp; technology)</li><li>• Vertical long run aggregate supply curve (LAS)</li><li>• Fiscal and monetary expansion in the short &amp; long run.</li></ul>	7
<b>Unit 4: Inflation, Unemployment and Labour market</b>	<ul style="list-style-type: none"><li>• Inflation: causes of rising and falling inflation, inflation and interest rates, social cost of inflation;</li><li>• Seigniorage and inflation tax.</li><li>• Unemployment: natural rate of unemployment, frictional and wait unemployment, labour market and its interaction with production system.</li><li>• Phillips Curve: trade-off between inflation and unemployment and Sacrifice Ratio.</li></ul>	7
<b>Unit 5: Open Economy and Macroeconomic Policy</b>	<ul style="list-style-type: none"><li>• Balance of Payment Accounting - Current Account, Capital Account and ORT.</li><li>• Market for foreign exchange – fixed versus flexible exchange rates</li></ul>	5
<b>Unit 6: Money and Banking System</b>	<ul style="list-style-type: none"><li>• Measures of money supply</li><li>• High powered money</li><li>• Money multiplier and credit creation of the commercial banking system.</li></ul>	4
<b>Unit 7: Economy in the Long Run</b>	<ul style="list-style-type: none"><li>• Solow Growth Model - Steady State Equilibrium - Golden Rule level of capital accumulation</li><li>• Growth Accounting – Sources of economic growth</li></ul>	7
<b>Practical Exercises/Skill Development Activities: Seminars and Group Discussions</b>		
<b>Suggested Readings/References:</b> <ol style="list-style-type: none"><li>1. David Romer; <i>Advanced Macroeconomics</i>, TMH</li><li>2. Dornbush and Fisher; <i>Macroeconomics</i>, TMH.</li><li>3. Eroll D'Souza; <i>Macroeconomics</i>, Pearson</li></ol>		



4. Hall and Papell; *Macroeconomics – Economic Growth, Fluctuations and Policy*, Viva Books
5. Mankiw N.G; *Macroeconomics*, Worth Publishers Inc., U.S.
6. Robert J. Gordon; *Macroeconomics*, Pearson.
7. Soumyen Sikdar; *Principles of Macroeconomics*, OUP.