

**DEPARTMENT OF ECONOMICS  
DELHI SCHOOL OF ECONOMICS  
UNIVERSITY OF DELHI**

**Minutes of Meeting**

**Subject** : Allied Course for B.Com. (Hons.) Sem. Third  
**Course** : Macroeconomic Theory and Policy  
**Date of Meeting:** Monday 11<sup>th</sup> August, 2014  
**Venue:** Department of Economics, Delhi School of Economics,  
University of Delhi, Delhi – 110 007  
**Chair:** Prof. Pami Dua

**Attended by:**

- 1 Dr. Usha Kashyap Shyam Lal College(M)
- 2 Dr. Abha Mittal Maharaja Agrasen College
- 3 Divya Gupta Daulat Ram College
- 4 Reetika Rana Shivaji College
- 5 Pemala Lama Sri Venkateswara College
- 6 Swapan Chakraborty Shyam Lal College (E)
- 7 Dr. Deepashree SRCC
- 8 Dr. Vipin Negi Keshav Mahavidyalaya
- 9 Kavita Motilal Nehru College(E)
- 10 Animesh Kumar Kamala Nehru College
- 11 Kittu Kapoor Mata Sundari College
- 12 Shruti Jain Mata Sundari College
- 13 Shweta Pandey Maitreyi College
- 14 Priyanka Sahni Maitreyi College
- 15 Khushboo Raheja SGGSCC
- 16 Valsala IP College
- 17 Divya Gupta SCCSCC
- 18 Simran Sethi Hans Raj College
- 19 Pragya SGTB Khalsa College
- 20 Dr. M.Y.Farooque Satyawati College(E)

## **Topic-wise Reading List:**

### **1 – THE CLOSED ECONOMY IN THE SHORT RUN**

Simple Keynesian model of income determination; IS-LM model; fiscal and monetary multipliers

**Dornbusch, Fischer & Startz – Macro-Economics (9<sup>th</sup> edn )**

#### **Ch. 9 – Income and Spending**

**9.1-** Aggregate demand and equilibrium output

**9.2 –**The Consumption Function and Aggregate Demand

**9.3 –**The Multiplier

**9.4-** Govt. Sector

**9.5 –** The Budget

**9.6 –** The Full-Employment Budget Surplus

#### **Ch. 10 – Money, Interest & Income**

**10.1 –** Goods Market and IS Curve

**10.2-** Money Market and LM Curve

**10.3 –** Equilibrium in the goods and money markets

**10.5 –** Formal treatment of the IS-LM Model

#### **Ch. 11 – Monetary and Fiscal Policy**

**11.1-** Monetary Policy

**11.2 –** Fiscal Policy and Crowding out

### **2 – AGGREGATE DEMAND AND AGGREGATE SUPPLY CURVES**

Derivation of aggregate demand and aggregate supply curves; interaction of aggregate demand and supply

**(Gregory Mankiw – Macro-Economics (5<sup>th</sup> edn.)**

#### **Ch. 11 – Aggregate Demand**

**11.2 –** IS-LM as a theory of Aggregate Demand

**(Dornbusch & Fischer – Macro-Economics (6<sup>th</sup> edn.)**

#### **Ch.8 – Aggregate Supply – Wages, Prices & Employment**

**8.1 –**Wages, Prices and Output

**8.2 –** Wage-Unemployment Relationship

**8.3 –**Aggregate Supply Curve

**8.4 –** Effects of Monetary Expansion

### **3 – OPEN ECONOMY MODELS**

Short-run open economy models; Mundell Fleming model.

**(Gregory Mankiw – Macro-Economics (5<sup>th</sup> edn.)**

#### **Ch. 5 – The Open Economy**

**5.1 –** International flows of capital and goods

**5.2 –** Savings and Investment in a small open economy

**5.3 –** Exchange Rates (ending with the determinants of the nominal exchange rate).

**Appendix** – The Large Open Economy (up to and not including policies in the large open economy)

**Ch. 12 – Aggregate Demand in the Open Economy**

**12.1** – Mundell-Fleming model

**12.2** – Small open economy under floating exchange rates

**12.3** – Small open economy under fixed exchange rates (ending with Policy in the Mundell –Fleming model)

**Appendix** – Short run model of the large open economy

**4 – ECONOMIC GROWTH**

Solow model; golden rule; technological progress

( GregoryMankiw – Macro-Economics (5<sup>TH</sup> edn.)

**Ch. 7 – Economic Growth I**

**7.1** – Accumulation of Capital (pg. 181- 186; pg. 189 – 190)

**7.2** – Golden Rule level of Capital (pg. 192 – 195; 197 – 199)

**7.3** – Population Growth (pg. 199 – 202)

**Ch. 8 –Economic Growth II**

**8.1** - Technological Progress in the Solow Model (pg. 208 – 211)

**Note: Numericals to be excluded for this topic.**

**Assessment**

For the 100 marks paper, there would be

- 75 marks : University Exam

- 25 marks : Internal Assessment (*5 marks are for attendance and 20 marks for two class tests of 10 marks each*)

**Structure of the Question paper for the Semester exam:**

1. Five questions in all. Each question to have internal choice.
2. One full numerical question from IS-LM model
3. One theory question from each of the four topics.

## Syllabus

### Course Description

This course introduces the students to 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. The course also discusses aspects of economic growth.

### Course Outline

#### **1. The Closed Economy in the Short Run**

Simple Keynesian model of income determination; IS-LM model; fiscal and monetary multipliers.

#### **2. Aggregate Demand and Aggregate Supply Curves**

Derivation of aggregate demand and aggregate supply curves; interaction of aggregate demand and supply.

#### **3. Open Economy Models**

Short-run open economy models; Mundell-Fleming model.

#### **4. Economic Growth**

Solow model; golden rule; technological progress

### Readings

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11<sup>th</sup> edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics*, Worth Publishers, 7<sup>th</sup> edition, 2010.
- 3 Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5<sup>th</sup> edition, 2009.