### DEPARTMENT OF ECONOMICS
DELIH 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 11th August, 2014  
**Venue**: Department of Economics, Delhi School of Economics,  
University of Delhi, Delhi – 110 007  
**Chair**: Prof. Pami Dua

**Attended by**:

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<tr>
<th>No.</th>
<th>Name</th>
<th>College</th>
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<tr>
<td>1</td>
<td>Dr. Usha Kashyap</td>
<td>Shyam Lal College(M)</td>
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<td>2</td>
<td>Dr. Abha Mittal</td>
<td>Maharaja Agrasen College</td>
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<td>3</td>
<td>Divya Gupta</td>
<td>Daulat Ram College</td>
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<td>Reetika Rana</td>
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<td>Swapn Chakraborty</td>
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<td>7</td>
<td>Dr. Deepashree</td>
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<td>8</td>
<td>Dr. Vipin Negi</td>
<td>Keshav Mahavidyalaya</td>
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<td>9</td>
<td>Kavita</td>
<td>Motilal Nehru College(E)</td>
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<td>Animesh Kumar</td>
<td>Kamala Nehru College</td>
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<td>Kittu Kapoor</td>
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<td>Shruti Jain</td>
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<td>Shweta Pandey</td>
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<td>Priyanka Sahni</td>
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<td>Khushboo Raheja</td>
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<td>Simran Sethi</td>
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<td>Pragya</td>
<td>SGTB Khalsa College</td>
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<td>20</td>
<td>Dr. M.Y.Farooque</td>
<td>Satyawati College(E)</td>
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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 (9th 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 (5th edn.))
Ch. 11 – Aggregate Demand
   11.2 – IS-LM as a theory of Aggregate Demand

(Dornbusch & Fischer – Macro-Economics (6th 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 (5th 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

(Gregory Mankiw – Macro-Economics (5th 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 aggregates upply 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