

**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 11th 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 (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

(GregoryMankiw – 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 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, 11th edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics*, Worth Publishers, 7th edition, 2010.
- 3 Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5th edition, 2009.