

DEPARTMENT OF ECONOMICS
UNIVERSITY OF DELHI

Subject: BA(H) Economics - DSC
Semester: IV
Course & Code: Intermediate Macroeconomics II: Policy Issues ECON011
Duration (per week): 3 lectures + 1 tutorial per week
Date & Time: 29/01/2024 at 1.30 PM
Venue: 116, Department of Economics, Delhi University
Convenor: Dibyendu Maiti

College Teachers present:

Archana Aggarwal	Hindu College
Rakesh Kumar	Dyal Singh College
Sangeeta	Lady Shri Ram College for Women
Shravasti Soni	Indraprastha College for Women
Saachi Bhutani Bhagat	Daulat Ram College
Pallavi Manchanda	Shaheed Bhagat Singh College
Sneha Bhardwaj	Deshbandhu College
Anuradha Gulati Dasgupta	Shri Ram College of Commerce
Jagadish Konthoujam	Shri Ram College of Commerce
Sona Mandal	Kamala Nehru College
Suvojit Lahiri Chakravarty	Aryabhatta College
Ashutosh Das	Ramjas College
Lokendra Kumawat	Ramjas College

Learning Objectives

- This course trains the students in policy issues faced by macroeconomists in the real world.
- It discusses monetary and fiscal policy issues and exchange rate dynamics.
- It also introduces the students to the financial system and dynamics of financial crises.
- The students are introduced to macroeconomic concepts in the context of open economies and the policy issues therein.

Learning outcomes

This course enables students to analyse the functioning of macroeconomic policies in the real world in both closed and open economies and understand the dilemmas faced by policymakers in the domestic and globalised economies.

Reading List

UNIT I: Fiscal and monetary policies (15 hours)

Active or passive monetary policies; time inconsistency; monetary policy objectives and targets; rules versus discretion; IS-PC-MR model; fiscal policy; the government budget constraint; government debt and Ricardian equivalence.

- a) Blanchard and Johnson, Section 22.2, 23.2, 23.3, 23.4 (excluding discussion on Money Finance), 24.3
- b) Carlin and Soskice, Chapter 3 (excluding Appendix; no direct questions to be asked from sections 1.1 to 1.5).

UNIT II Financial markets and crisis (05 hours)

Introduction to financial markets, Financial crises and liquidity trap

- a) Blanchard and Johnson, Chapter 9.

UNIT III: Issues in open economy (20 hours)

Short-run open economy models; Mundell-Fleming model; Exchange rate determination; purchasing power parity; asset market approach; Dornbusch's overshooting model; monetary approach to balance of payments; International financial markets.

- a) Dornbusch and Fischer, Chs.6 and 20 (20.1 and 20.2).
- b) D. Salvatore, Ch.14 (14.1–14.6D and appendix), Ch.15 (including appendix) and Ch.20.6.

Recommended readings

- Blanchard, O and Johnson David R. (2013), *Macroeconomics*, 6th ed. (Global ed.), Pearson Education.
- Salvatore, D. (2007), *International Economics* 8th ed., Wiley.
- Dornbusch, R. and Fischer, S. (1994), *Macroeconomics*, 6th ed. McGraw-Hill.
- Carlin, Wendy and Soskice, David (2006), *Macroeconomics: Imperfections, Institutions & Policies*. Indian Edition, Oxford University Press.

Assessment

1. Semester-end Examination: 90 marks

The question paper will have roughly 50% weightage from unit 3 and the remaining 50% from units 1 and 2 together. The paper will consist of three sections of 30 marks each:

- Section A will have 15 MCQs/one-line-answer questions of 2 marks each, with no choice of any kind.

The question paper will have clear instructions for this section that students must write only the correct answers in this section and NOT explanations.

- In Section B, students will be required to do any 6 out of 8 questions for 5 marks each.
- In Section C, students will be required to do any 3 out of 4 questions of 10 marks each.

2. Continuous Assessment (40 marks) and Internal Assessment (30 marks): As per the University guidelines.