

DEPARTMENT OF ECONOMICS
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI

Minutes of Meeting

Subject: B.A. (Hons) Economics – Sixth Semester
Course: Open Economy Macroeconomics (HE64)

Discipline Specific Elective (DSE) Credit: 6

Date of Meeting: 13th December 2021 at 6:30 PM

Venue: Zoom meeting
<https://zoom.us/j/6988145585?pwd=YVFkNmhsVzM1Mk4wMEZybJluYjBCUT09>

Meeting ID: 698 814 5585; Passcode: 0xVyNR

Chair: Dibyendu Maiti, Department of Economics, Delhi School of Economics

Attended by
Krishnakumar S Sri Venkateswara College
SWARUP SANTRA SATYAWATI COLLEGE
Jasmin Jesus & Mary College
A Sunil Dharan Motilal Nehru College (Day)
Dr. Anu Satyal College of Vocational Studies
Dr.Renu Sinha Satyawati college (m)
prabhleen kaur SGTB khalsa college
Pragya Nayyar Hansraj College

The committee discussed the changes under the previous system and stressed the need for mapping the units to clearly define the coverage. A sub-committee was set up in this regard with the following members:

Krishnakumar, S
Lokendra Kumawat
Anu Satyal
Swarup Santra

Course Objective

This course intends to emphasise how a country's relations to the rest of the world influence aggregate economic activity, employment, exchange rate, and inflation and form monetary and fiscal policy scope. The course includes a thorough introduction to the foreign exchange market and discussing world-level interactions. A significant part of the course deals with the dynamic effects (effects over time) of economic shocks and policies. The course prepares the student for professional discussions on the design of monetary and fiscal policies, which are essential to understand macroeconomic fluctuations in contact with global transactions. This course helps to make predictions of macro variables, for choosing investment where the return depends on macro developments) when the economies are open.

Course Learning Outcomes

The student will know how exchange rates, interest rates and capital movements between currencies are determined within different institutional settings for monetary policy (e.g. inflation targeting versus money supply targeting or exchange rate targeting), how a country's current account balance is determined, or, which amounts to the same, how capital movements between countries are determined, how shocks emanating abroad or in the foreign exchange market affect output, employment, inflation and interest rates, how the effects of changes in fiscal and monetary policy and shifts in private sector behaviour are modified through the foreign exchange markets and foreign trade, the role of cost competitiveness in the determination of economic activity, the different responses to economic shocks in the traded-goods and non-traded goods sectors of the economy, how the effects of policy actions and economic shocks are transmitted from country to country in the world economy, and the merits of different exchange rate systems (fixed versus flexible, monetary unions). In particular, you will learn more about the effects over time as flows accumulate to stocks and as the economy moves towards long-run equilibrium. At the end of the course, the students will learn to analyze the effects of macroeconomic events of the future time path, forces inherent in the economic dynamics over time, current and future events that may influence the exchange rate through expectations, and come up with policy suggestions.

Course Outline:

Unit 1

Review of Preliminaries (10 lectures)

National Income Accounting and Balance of Payments; Exchange Rates and the Foreign Exchange Market; Money, Interest Rates, and Exchange Rates.

KOM Chapters 13, 14, 15.

Unit 2

Open-Economy Macroeconomics and Exchange Rates (30 lectures)

Price Levels and the Exchange Rate in the Long Run; Output and the Exchange Rate in the Short Run; Fixed Exchange Rates and Foreign Exchange Intervention

KOM Chapters 16, 17, 18.

Unit 3 International Macroeconomic Policy: (20 lectures)

International Monetary Systems: An Historical Overview; Financial Globalization: Opportunity and Crisis; Optimum Currency Areas and the Euro; Developing Countries: Growth, Crisis, and Reform

KOM Chapters 19, 20 (excluding the mathematical postscript), 22.

For all the chapters mentioned for all the units above the appendices, if any, are included.

References

- Krugman, P., Obstfeld, M., Melitz, M. (2015) *International Economics: Theory and policy*, 10th Edition Pearson Education. (Global edition/Indian Subcontinent Reprint)

Additional References (for reference only)

- Feenstra, R., Taylor, A. (2014). *International Economics*, 3rd ed. Worth Publishers.
- Gandolfo, Giancarlo (with contributions by Daniela Federici) (2016) *International Finance and Open Economy Macroeconomics*. 2nd edition. Springer.
- Blanchard, O., Johnson, D. (2013), *Macroeconomics* 6th ed.: Section on Open Economy Macroeconomics (Ch. 18-21) would prove to be useful both for teachers and students as an additional material. Pearson

Assessment:

- Final Exam: 75 marks (weightage on the units: 20+35+20).
 - Part A: Short questions (6 short questions from 8 choices, 5 marks each).
 - Part B: Long Questions: 15 marks for 3 questions (out of 4 questions).
- Internal assessment on the basis of one test and one project/two tests: 10+10+5 (marks, attendance)