

BA (HONS) ECONOMICS

4th SEMESTER

DISCIPLINE SPECIFIC COURSE-II (CORE-9)

ECH420C2: INTERMEDIATE MACROECONOMICS- II

CREDITS: THEORY: 4, TUTORIAL: 2

MAX. MARKS: THEORY: 60, TUTORIAL: 30

THEORY (4 CREDITS; 60 HOURS)

Course Description: This is a core course of 06 credits (04 units of 01 credit each and tutorials of 2 credits).

Course Objectives: This course is a sequel to Intermediate Macroeconomics I. In this course, students are introduced to long run issues like growth, technical progress, economics of ideas, R&D, innovation and knowledge creation. This course also provides insights into modern business cycle analysis. Finally it introduces students to open economy macro issues. At the end, it provides a long run perspective to policy-making by framing policies in a dynamic context.

Course Outcomes: This course will enable students to combine their knowledge of the working of the macro-economy with long run economic phenomena like economic growth, technological progress, R&D and innovation. It will also enable students to understand business cycles and the concomitant role of policies.

Unit I: Inflation and Unemployment (15 Hours)

Inflation: Definition and Measurement of inflation, Demand Pull & Cost Push inflation, Structural inflation. Unemployment and its Types. The Philips Curve and the trade-off between Inflation and Unemployment: – short-run and long-run Philips Curve, Adaptive and Rational Expectation.

Unit II: The IS-LM Model for Open economy (15 Hours)

The IS-LM Model for Open economy- Mundell Fleming Model, IS, LM & BP Schedules; Slope & Shift Factors; Perfect & Imperfect Capital Mobility; Policy implications under flexible & Fixed exchange rate regimes.

Unit III: Trade Cycle Theories (15 Hours)

Trade Cycle: Meaning, Types and Phases, Theories of Trade Cycle: Samuelson, Hicks. Kaldor & Godwin.

Unit IV: Macroeconomics after Keynes (15 Hours)

Monetarism; Central propositions; Quantity Theory reformulation; Philips Curve analysis; policy relevance; New Classical Economics; Rational Expectations; Agent optimization & market clearance; Total Policy Ineffectiveness. Keynesian Critique on New Classicals.

Tutorials (2 Credits)

- Current Inflation measures in India.
- Perfect & Imperfect Capital Mobility
- Anatomy of a Trade Cycle
- Money Neutrality & Non-Neutrality.

Basic Readings

1. N. Gregory Mankiw. Macroeconomics, Worth Publishers, 7th edition, 2010.
2. Olivier Blanchard, Macroeconomics, Pearson Education, Inc., 5th edition, 2009.
3. Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.
4. Shapiro, E (1996), Principles of Macroeconomics, W.W. Norton & Company, New York
5. Errol D'Souza, Macroeconomics, Pearson Education, 2009.
6. Snowdon, B., & Vane, H. R. (2005). Modern macroeconomics: its origins, development and current state. Edward Elgar Publishing.

***Additional Readings are available with the concerned teacher.**