

PAPER NO - 7

MACROECONOMICS-I

Course Description

This is the first part in the two part course and introduces the students to formal 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.

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 and supply curves; interaction of aggregate demand and supply.

3. Inflation, Unemployment and Expectations

Phillips curve; adaptive and rational expectations; policy ineffectiveness debate.

4. Open Economy Models

Short-run open economy models; Mundell-Fleming model; Dornbusch's overshooting model; monetary approach to balance of payments.

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.
4. Steven M. Sheffrin, *Rational Expectations*, Cambridge University Press, 2nd edition, 1996.
5. Errol D'Souza, *Macroeconomics*, Pearson Education, 2008.