

# 1. MACROECONOMICS – II (406501)

## OBJECTIVES:

- To provide an insight into macroeconomic theories for the proper understanding of different issues and policies at macro level.
- To enable learner, to have an in depth study of theories of inflation and business cycles.
- To give an exposure to the relationship among monetary, fiscal and exchange rate policies in macro dimensions.
- To inspire students to develop a research aptitude in macroeconomic policies with case study approach.

Sr. No.	Topic and Details	Credits	Lectures	Marks
1	<b>Theories of Inflation:</b> Meaning and types, inflationary gap: convergent and divergent inflationary gaps, theories of inflation: Structuralist approach to inflation, Philips' curve analysis: short run and long run Phillips curve-natural rate of unemployment, Tobin's modified Phillips curve, adaptive expectations and rational expectations.	1	15	25
2	<b>Business Cycles:</b> Monetary of theory trade cycle of Hawtrey and over investment theory of Hayek, Theories of trade cycles by Schumpeter, Kaldor, Samuelson, Hicks and Goodwin's Control of business cycles; relative efficacy of monetary and fiscal policies.	1	15	25
3	<b>Macroeconomic Policy Issues:</b> Lags in the effects of policy, automatic stabilizers - activist policy, rules versus discretion - inflation targeting- the new classical approach to fiscal policy. case study analysis of events: the great depression, Financial Crisis 2008, COVID-19 Pandemic.	1	15	25
4	<b>Macroeconomics in Open Economy:</b> Structure of balance of payments, fixed and flexible exchange rates regime. fixed exchange rates: the IS-LM-BP model, monetary and fiscal policy- flexible exchange rates: the IS-LM-BP model, monetary and fiscal policy (Mundell-Fleming Model). Open and covered interest rate parities.	1	15	25

## COURSE OUTCOMES:

After completion of the course the learners will be able to:

- Understand the different macroeconomic issues in detail and assess their impact.
- Appreciate the traditional and modern theories of trade cycles.
- Learn the implications and efficacy of various monetary and fiscal instruments.

- Interpret the concepts of inflation, deflation, stagflation and deflation.
- Know the impact of Short run and long run Phillips Curve with its empirical approach.
- Appreciate modern concepts of inflation and unemployment in adaptive expectations and rational expectations theories.

**References:**

- Ackley, G. (1978), *Macroeconomics: Theory and Policy*, Macmillan, New York.
- Bain, Keith & Howells, Peter (2009), *Monetary Economics: Policy and Its Theoretical Basis*, Palgrave.
- Blanchard, Olivier (2000), *Macroeconomics*, Prentice Hall.
- Branson, W.A. (1989), *Macroeconomics Theory and Policy*, (3rd Edition), Harper and Row, New York.
- Carlin, W. and S. David (2007), *Macroeconomics*, Oxford University Press.
- D'Souza, E. (2012), *Macroeconomics*, Dorling Kindersley (India) Pvt Ltd.
- Dornbusch, Rudiger, Fischer, Stanley & Startz, Richard (2004), *Macroeconomics*, 9 th Edition, McGraw Hill.
- Friedman, M. (1957), *The Theory of Consumption Function*, Pinceton University Press, Princeton.
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