



Macro-Economics

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1. Course Objective

Macroeconomics is a study of the economy at the aggregate level. A firm grounding in the core concepts and principles of Macroeconomics is required for interpreting economic events that influence the business environment and for incorporating the consequences of major macroeconomic developments into managerial decision making. This course provides a broad overview of the basic principles of macroeconomics. It provides the theoretical and conceptual framework for understanding macroeconomic behavior and supplements this framework with empirical and policy related evidence from India and elsewhere.

The subject matter deals broadly with the determinants of major macroeconomic variables including output, price level, inflation, interest rates, balance of payments and the exchange rates. The coverage of

2. Learning outcomes

At the end of this course, students will be able to:

1. Measure GDP and distinguish between nominal and real GDP
2. Analyze how national income is distributed among different factors of production
3. Analyze different theories of demand for money and learn relationship between money supply and inflation
4. Analyze how nominal and real exchange rates are determined
5. Understand the forces causing different types of unemployment, analyze trends in unemployment and labour market experiences in the United States and Europe
6. Critically discuss the theories of economic growth with emphasis on steady state economic growth
7. Understand nature and causes of economic fluctuations
8. Explain economic fluctuations using IS-LM model

9. Apply Mundell-Fleming model to understand the dynamics of the exchange rate system in an open economy
10. Evaluate government stabilization policies and synthesize various views of public debt

3. Text book / Reading materials

Lecture Notes

Main Textbooks: Dornbusch & Fischer, 'Macroeconomics' 11th edition (Any other edition is also fine, chapter numbers may differ)

Other reference: Mankiw, N. Gregory, Macroeconomics. Worth Publishers

4. Assessment Method

There will be two quizzes, a midterm and a final. Quizzes will be of 60mins duration and will consist of MCQs as well as descriptive questions. Final exams would also involve MCQs and descriptive questions. All exams would be closed book and closed notes.

Weight	
Quiz (two quizzes)	20%
Project submission and Presentation	30%
Final Examination	50%
Total	100%

5. Course Schedule

Topic	Reading
Module 1: National Income Accounting Session 1: <ul style="list-style-type: none"> • Introduction to Macroeconomics • Key production indicators Session 2: <ul style="list-style-type: none"> • Price Indicators 	Ch. 1 & 2
Module 2: Aggregate Expenditure Session 3 & Session 4: <ul style="list-style-type: none"> • Keynesian consumption function 	Ch. 9
Module 3: IS-LM MODEL	

Session 5 & 6: <ul style="list-style-type: none"> • The goods market and the IS curve • The assets market and the LM curve demand • IS-LM equilibrium • Policy issues Session 7 & 8: <ul style="list-style-type: none"> • Applying IS-LM Model 	Ch. 10
Module 4: Aggregate demand and supply Session 9 & 10: <ul style="list-style-type: none"> • The AD curve • Policy effects on AD curve • The AS curve (long run & short run) • Expectations and supply shocks and AS curve • AD-AS equilibrium 	Ch. 5
Module 5: Macroeconomic performance Session 11: <ul style="list-style-type: none"> • Inflation Session 12: <ul style="list-style-type: none"> • Unemployment 	Ch. 6 & 7 Ch 6 & 7
Module 6: Economic policies & stabilization Session 13 & Session 14: 6.1 Fiscal policy <ul style="list-style-type: none"> • Components of fiscal policy • Budget deficit, public debt • Sustainability of debt • Debt Financing • Impact on macroeconomic variables • Recent trends and policy issues in India 	Ch. 11
Session 15 & 16 6.2 Monetary Policy <ul style="list-style-type: none"> • What is money supply? • The money creation process • What is monetary policy? • Policy instruments • Recent trends and policy issues in India 	Ch. 11
Module 7: Open economy macroeconomics Session 17 & 18 <ul style="list-style-type: none"> • Balance of payments • IS-LM model in open economy • The Impossible Trinity 	Ch 12
FINAL EXAM	

6. Instructional Methods and Expectations

A variety of approaches will be used - lectures, caselets (small cases), Video clips,

newspaper articles, in class exercises, problem solving, and exams. Performance in this course will depend on how well you perform in ALL the exams. You are expected to attend classes regularly. In order to keep pace with the progress of the class, you are advised to read the materials before coming to the class. Late submissions will be penalized.