DEPARTMENT OF ECONOMICS
UNIVERSITY OF DELHI

Subject: **BA (Prog) with Economics as Major**

Semester: VI

Course & Code: Intermediate Macroeconomics II: Policy Issues ECON011

Duration (per week): 3 lectures + 1 tutorial

Date & Time: 26/11/2024 at 10.30 AM

Venue: 116, Department of Economics, Delhi University

Convenor: Prof. Dibyendu Maiti & Dr. Swati Saini

College Teachers Present:

1. Dr. Surbhi Badhwar, Shyamlal College (Evening)
2. Megha Jacob, Jesus and Mary College
3. Dr. Swarup Santra, Satyawati College
4. Saachi Bhutani, Daulat Ram College

A Sub-committee of College Teachers was formed thereafter:

1. Dr. Swarup Santra, Satyawati College
2. Megha Jacob, Jesus and Mary College

Learning Objectives

• This course trains the students in policy issues faced by macroeconomists in the real world.
• It discusses monetary and fiscal policy issues and exchange rate dynamics.
• It also introduces the students to the financial system and dynamics of financial crises.
• The students are introduced to macroeconomic concepts in the context of open economies and the policy issues therein.

Learning Outcomes

This course enables students to analyse the functioning of macroeconomic policies in the real world in both closed and open economies and understand the dilemmas faced by policymakers in the domestic and globalised economies.

Reading List:

UNIT I: Fiscal and monetary policies (15 hours)

Active or passive monetary policies; time inconsistency; monetary policy objectives and targets; rules versus discretion; IS-PC-MR model; fiscal policy; the government budget constraint; government debt and Ricardian equivalence.

a) Blanchard and Johnson, Section 22.2, 23.2, 23.3, 23.4 (excluding discussion on Money Finance), 24.3

b) Carlin and Soskice, Chapter 3 (Do only sections 1.1, 1.2, 1.5, 1.6, 2.1, 3.1.1 and 3.1.2) (excluding Appendix; no direct questions to be asked from sections 1.1, 1.2 and 1.5).

UNIT II Financial markets and crisis (05 hours)

Introduction to financial markets, Financial crises and liquidity trap

a) Blanchard and Johnson, Chapter 9.

UNIT III: Issues in open economy (20 hours)

Short-run open economy models; Mundell-Fleming model; Exchange rate determination; purchasing power parity; asset market approach; Dornbusch's overshooting model; monetary approach to balance of payments; International financial markets.

a) Dornbusch and Fischer, Ch.6: International Linkages (full chapter) and Ch.20: International Adjustment and Interdependence (20.1 up to 20.6).

b) D. Salvatore, Ch. 14 (Only 14.1- 14.3b) Ch.15 (Only 15.4)

Recommended readings

• Blanchard, O and Johnson David R. (2013), Macroeconomics, 6th ed. (Global ed.), Pearson Education.

• Salvatore, D. (2007), International Economics 8th ed., Wiley.

• Dornbusch, R. and Fischer, S. (1994), Macroeconomics, 6th ed. McGraw-Hill.

• Carlin, Wendy and Soskice, David (2006), Macroeconomics: Imperfections, Institutions & Policies. Indian Edition, Oxford University Press.

Assessment

1. Semester-end Examination: 90 marks

The question paper will have roughly 50% weightage from unit 3 and the remaining 50% from units 1 and 2 together. The paper will consist of three sections of 30 marks each:

• Section A will have 15 MCQs/one-line-answer questions of 2 marks each, with no choice of any kind.

The question paper will have clear instructions for this section that students must write only the correct answers in this section and NOT explanations.

• In Section B, students will be required to do any 6 out of 8 questions for 5 marks each.

• In Section C, students will be required to do any 3 out of 4 questions of 10 marks each.

2. Continuous Assessment (40 marks) and Internal Assessment (30 marks): As per the University guidelines.

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