

GENERIC ELECTIVES (GE-11): ECONOMIC POLICY FRAMEWORK

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Economic Policy Framework (GE11)	4	3	1	0	Class 12	None

Learning Objectives

This course will help students

- to understand the importance, meaning and objective of macroeconomic policies
- to understand role and effect of fiscal policy and government expenditure
- to explore role of monetary policy and banking sector in India
- to analyse efficacy of fiscal/monetary policy under fixed and flexible exchange rate

Learning outcomes

By studying this course, students will be able to:

- Learn the basic concept of macroeconomics
- Understand how different parameters of macroeconomics work under Indian economy.
- Understand how monetary and fiscal policy works.
- Know different exchange rate regimes.

SYLLABUS OF GE-11

UNIT - I: Meaning and objectives of economic policy

(8 hours)

Tools and goals (objectives and instruments of policy) Circular flow of income (start with a two sector model and go up to a five sector model); National Income aggregates and the related concepts of national income; input-output table to calculate national income using the income, expenditure and the value added methods.

Unit 2: Fiscal policy

(15 hours)

Objectives and meaning; effect of fiscal policy - role of tax policy (T) and government expenditure (G), Aggregate Demand, Meaning of the multiplier. Government expenditure multiplier and balanced budget multiplier Budget -meaning and purpose - example of India's latest Budget (and various heads). Meaning of fiscal, revenue and primary deficits.

Unit 3: Monetary policy

(12 hours)

Meaning and objectives; money and credit - credit creation and instruments of credit control; Inflation targeting, Banking in India - structure, recent developments; issues of NPAs and how to resolve it.

Unit 4: Exchange rate policy

(10 hours)

Structure of BOP; meaning of current account deficit and trade deficit; exchange rate definition (real and nominal); fixed vs flexible exchange rate, efficacy of fiscal/monetary policy under fixed and flexible exchange rate, effect of a change in exchange rate on the current account (imports and exports); structure of capital account and role of capital outflows and inflows.

Essential/recommended readings

- 1 Gupta G.S (2016), Macroeconomics - Theory and Applications (4th edition). McGraw Hill,
2. Shapiro, Edward (1982), Macroeconomic Theory, 5th edition
3. Mankiw, Gregory N. (2010), Macroeconomics (7th edition), Worth Publishers.
4. Sikdar, Soumyen (2011), Principles of Macroeconomics, Oxford University Press
5. Krugman, P.R., Obstfeld, M. and Melitz, M. (2015). International Economics: Theory and Policy, Pearson Education Limited.
6. Dua, P. (2020). Monetary Policy Framework in India, Indian Economic Review, 55(1), June 2020, pp. 117-154.
9. <http://www.inclusivejournal.in/about.html>.
10. Sengupta, R. and Vardhan, H., Non-Performing Assets in Indian Banks, Economic and Political Weekly, 52(12) March 25, 2017, Money, Banking and Finance Special.
11. Economic Survey, India, latest issue
12. Union Budget Statement, India, Latest issue

Suggestive readings

- 1 Abel, Andrew, Bernanke, Ben and Croushore, Dean (2011). Macroeconomics (7th edition). Pearson
2. Ghate, C., & Kletzer, K. M. (eds.) (2016). Monetary policy in India: A modern macroeconomic perspective. Springer.
3. Kaul, Vivek (2020) Bad Money: Inside the NPA Mess and how it threatens the Indian Banking System, Harper Collins Publisher India.
4. Chhibber, Ajay and Anees, Salman Soz (2021) India's Financial Sector: A Whodunnit. In Unshackling India. Haper Collins Publishers India.

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.