

Generic Elective (GE-15): Principles of Macroeconomics II

Semester	Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
			Lecture	Tutorial	Practical/ Practice		
IV/VI/VIII	Principles of Macroeconomics II – ECON028	4	3	1	0	Class 12th with Mathematics	Introductory Macroeconomics/ Principles of Macroeconomics I

Learning Objectives

The Learning Objectives of this course are as follows:

- This course introduces labour markets and derives the aggregate supply (AS) curve.
- Then, it integrates with Aggregate Demand (AD) to determine equilibrium prices and output.
- The course discusses Phillips curve and the alleged trade-off between inflation and unemployment.
- Both adaptive and rational expectations are introduced.

Learning outcomes

The Learning outcomes of this course are as follows:

- The students would learn an analytical framework to analyse the basic functioning of the aggregate macroeconomy under closed and open economy.
- It also enables them to analyse the functioning of the economies in term of the effects of fiscal and monetary policy and trade-off between inflation and unemployment.

Syllabus

UNIT I: IS-LM Analysis for income determination (12 hours)

Derivations of the IS and LM functions; IS-LM and aggregate demand; shifts in the AD curve

UNIT II: GDP and Price Level in Short Run and Long Run (12 hours)

Aggregate demand and aggregate supply; multiplier analysis with AD curve and changes in price levels; aggregate supply in the SR and LR

UNIT III: Inflation and Unemployment (12 hours)

Concept of inflation; determinants of inflation; relationship between inflation and unemployment: Phillips Curve in short-run and long-run

UNIT IV: Balance of Payments and Exchange Rate (9 hours)

Balance of payments: current account and capital account; market for foreign exchange; determination of exchange rate

Recommended readings

- Blanchard, O. (2006). *Macroeconomics*, 4th ed. Pearson Education.
- C.L.F. Attfield, D. Demery and N.W. Duck, *Rational Expectations in Macroeconomics: an introduction to the theory and evidence* (1991, 2nd Ed.).
- Sheffrin, Steve Rational Expectations. Cambridge University Press (1996, 2nd ed.).
- Dornbusch, R., Fischer, S. (1994). *Macroeconomics*, 6th ed. McGraw-Hill.
- R. Dornbusch, S. Fischer and R. Startz. (2018). *Macroeconomics* (12th edition). McGraw-Hill.
- Branson, W. (2013). *Macroeconomics: Theory and policy*, 3rd ed, East West Press.

- Carlin, W and D Soskice (2007), *Macroeconomics: Imperfections, Institutions and Policies*, Indian Edition, OUP.

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