

## **Paper 05: INTRODUCTORY MACROECONOMICS**

### **Course Description**

This course aims to introduce the first year students to the basic concepts of macroeconomics. Macroeconomics deals with the aggregate economy. This course discusses the preliminary concepts associated with the determination and measurement of aggregate macroeconomic variable like savings, investment, GDP, money, inflation, and the balance of payments.

### **Course Outline**

#### **1. Introduction to Macroeconomics and National Income Accounting**

Basic issues studied in macroeconomics; measurement of gross domestic product; income, expenditure and the circular flow; real versus nominal GDP; price indices; national income accounting for an open economy; balance of payments: current and capital accounts.

#### **2. Money**

Functions of money; quantity theory of money; determination of money supply and demand; credit creation; tools of monetary policy.

#### **3. Inflation**

Inflation and its social costs; hyperinflation.

#### **4. The Closed Economy in the Short Run**

Classical and Keynesian systems; simple Keynesian model of income determination; IS-LM model; fiscal and monetary multipliers.

### **Readings:**

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11<sup>th</sup> edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics*, Worth Publishers, 7<sup>th</sup> edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5<sup>th</sup> edition, 2009.
4. Richard T. Froyen, *Macroeconomics*, Pearson Education Asia, 2<sup>nd</sup> edition, 2005.
5. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7<sup>th</sup> edition, 2011.
6. Errol D'Souza, *Macroeconomics*, Pearson Education, 2009.
7. Paul R. Krugman, Maurice Obstfeld and Marc Melitz, *International Economics*, Pearson Education Asia, 9<sup>th</sup> edition, 2012.

**UNIVERSITY OF DELHI  
DELHI SCHOOL OF ECONOMICS  
DEPARTMENT OF ECONOMICS**

**Minutes of Meeting**

**Subject** : **B.A. (Hons) Economics**  
**Course** : **04 (Introductory Macroeconomics)**  
**Date of Meeting:** **14.12.2012 (Friday), 11:30 am**  
**Venue** : **Department of Economics, Delhi School of Economics, University of Delhi**  
**Convenor** : **Mausumi Das**

**Attended by:**

1. Basanti Kumari Nayak, Satyawati College
2. Supriti Mishra, Shyam Lal College
3. Chhavi Gautam, Kamla Nehru College
4. Lokendra Kumawat, Ramjas College
5. Rashmi Mittal, Dyal Singh College
6. Reetika Rana, Shivaji College
7. Punam Tyagi, Kalindi College
8. Aditi Aeron Bansal, Shaheed Bhagat Singh College
9. Vandana Sethi, Motilal Nehru College
10. Nidhi Dhamija, Hindu College
11. Ranjan, A.R.S. D. College
12. Rashmi Sharma, Delhi College of Art & Commerce
13. Aruna, Sri Venkateshwara College
14. Akhilesh Kumar Yadav, Satyawati College
15. Jayesh Adeshra, Shaheed Bhagat Singh College
16. Shailja Gupta, Zakir Husain College
17. Anand Kumar, College of Vocational Studies
18. Savita Singh, Deshbandhu College
19. Manjit Kaur, S.P.M. College

**The following changes were agreed upon:**

Suggested number of lectures: for Unit 1 - approximately 20; for Units 2 & 3 together – approximately 20; for Unit 4 - approximately 20.

**Topic-wise Readings:**

**Unit1.Introduction to Macroeconomics and National Income Accounting**

Basic issues studied in Macroeconomics; measurement of gross domestic product, income, expenditure and the circular flow; real versus nominal GDP; price indices; national income accounting for open economy, balance of payments accounts, current and capital accounts

Readings:

- (i) A. Abel, B. Bernanke and D. Croushore (2011; 7<sup>th</sup>edn), Chs, 1 & 2.
- (ii) P. Krugman and M. Obstfeld (2009; 8<sup>th</sup>edn.), Ch 12, **pages 293-316 only.**

## **Unit 2. Money**

Functions of money; quantity theory of money; determination of money supply and demand; credit creation; tools of monetary policy

Readings:

- (i) N. G Mankiw (2007, 6<sup>th</sup>edn), **Section 4.1 only.**
- (ii) R. Froyen, (2005, 8<sup>th</sup>edn.), **Section 4.1 only.**
- (iii) O. Blanchard (2006, 6<sup>th</sup>edn), Ch.4

## **Unit 3. Inflation**

Inflation and its costs; hyperinflation

Readings:

- (i) N. G Mankiw (2007, 6<sup>th</sup>edn), Sections 4.1 -4.8.
- (ii) O. Blanchard (2006, 6<sup>th</sup>edn), Ch.23

## **Unit 4. The Closed Economy in the Short Run**

Classical and Keynesian systems; simple Keynesian model of income determination; IS-LM model; fiscal and monetary multipliers

Readings:

- (i) R. Froyen, (2005, 8<sup>th</sup>edn.), Chs. 3 and Sections 4.2-4.4
- (ii) R. Dornbusch and S. Fischer (1994, 6<sup>th</sup>edn), Chs. 3, 4, and Sections 5.1-5.30. Blanchard (2006, 6<sup>th</sup>edn), Ch.23

## **Assessment:**

1. The internal evaluation will consist of two class tests of 10 marks each, with 5 marks being allocated for attendance.
2. The End-semester/Final Examination (75 marks) will have the following format:  
The question paper should have total **three** questions, carrying equal marks, with the following distribution across topics: **one** question from Unit 1; **one** question from Units 2 & 3 together; and **one** question from Unit 4. Each question should have internal choices. Question could be mathematical in nature.