

Paper 15: INTERMEDIATE MACROECONOMICS - II

Course Description

This course is a sequel to Intermediate Macroeconomics I. In this course, the students are introduced to the long run dynamic issues like growth and technical progress. It also provides the micro foundations to the various aggregative concepts used in the previous course.

Course Outline

1. Economic Growth

Harrod-Domar model; Solow model; golden rule; technological progress and elements of endogenous growth.

2. Microeconomic Foundations

- a. Consumption: Keynesian consumption function; Fisher's theory of optimal intertemporal choice; life-cycle and permanent income hypotheses; rational expectations and random-walk of consumption expenditure.
- b. Investment: determinants of business fixed investment; residential investment and inventory investment.
- c. Demand for money.

3. Fiscal and Monetary Policy

Active or passive; monetary policy objectives and targets; rules versus discretion: time consistency; the government budget constraint; government debt and Ricardian equivalence.

4. Schools of Macroeconomic Thoughts

Classicals; Keynesians; New-Classicals and New-Keynesians.

Readings:

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11th edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics*, Worth Publishers, 7th edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5th edition, 2009.
4. Charles I. Jones, *Introduction to Economic Growth*, W.W. Norton & Company, 2nd edition, 2002.
5. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7th edition, 2011.
6. Errol D'Souza, *Macroeconomics*, Pearson Education, 2009.
7. Robert J. Gordon, *Macroeconomics*, Prentice-Hall India Limited, 2011.

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

Minutes of Meeting

Subject: B.A. (Hons) Economics
Course: 12 (Intermediate Macroeconomics-II)
Date of Meeting: 14 December, 2012; 2:30 pm
Venue: Department of Economics, Delhi School of Economics, University of Delhi
Convenor: Mausumi Das

Attended by:

1. Anshu Chopra, Shivaji College
2. Rajiv Jha, SRCC
3. Jayesh Adeshra, Bhagat Singh College
4. Sarvesh Bandhu, SRCC
5. Archana Aggarwal, Hindu College
6. Prarthna Agarwal Goel, Kalindi College
7. Anup Chatterjee, ARSD College
8. Lokendra Kumawat, Ramjas College
9. Dolly Narula, PGDAV

The following texts were agreed upon:

Readings:

1. Rudiger Dornbusch & Stanley Fischer, *Macroeconomics*, 6th edn. McGraw Hill.
2. N. Gregory Mankiw, *Macroeconomics*, Worth Publishers, 6th edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5th edition, 2009.
4. Charles I. Jones, *Introduction to Economic Growth*, W.W. Norton & Company, 2nd edition, 2002.
5. Robert J. Gordon, *Macroeconomics*, 12th ed., Prentice-Hall India Limited.
6. Ben Heijdra, *Foundations of Modern Macroeconomics*, 2nd ed, OUP.
7. Frederic Mishkin, *Macroeconomics: Policy & Practice*, Pearson, 2012
8. Amartya Sen (ed), *Growth Economics*, Penguin. **(Book out of print. Scanned copy of relevant pages will be made available at the DSE website)**

Topic wise Readings:

1. Economic Growth

(Approx. number of lectures: 12)

Harrod model; Solow model; golden rule; technological progress and elements of endogenous growth.

Readings:

1. A. Sen (ed.): Growth Economics, Introduction, **pages 9-14 only. (Notice: book out of print. Scanned copy of the relevant pages will be made available at the DSE website)**
2. Mankiw: Macroeconomics (7th ed.), Ch.s 6 & 7
3. Jones : Introduction to Economics Growth (2nd ed.), Ch.s 4 & 5

2. Microeconomic Foundations**(Approx. number of lectures: 24)****A. Consumption**

Keynesian consumption function; fisher's theory of optimal intertemporal choice; life-cycle and permanent income hypotheses; rational expectations and random-walk of consumption expenditure.

Readings:

1. Dornbusch&Fischer, *Macroeconomics*(6thed), ch 11.
2. Mankiw, *Macroeconomics* (6th ed.), Ch. 15 (pp 441-447) and ch 16.

B. Investment

Determinants of business fixed investment; residential investment and inventory investment.

Readings:

1. Dornbusch& Fischer, *Macroeconomics* (6thed), ch 12.

C. Demand for Money

Interest sensitivity of money demand function; Baumol's, Tobin's and Friedman's approach to money demand.

Readings:

1. Gordon, *Macroeconomics* (12thed), chapter 13 (section 13.5 only).

3. Fiscal and Monetary Policy**(Approx. number of lectures: 12)**

Active or passive; monetary policy objectives and targets; rules versus discretion: time consistency; the government budget constraint; government debt and Ricardian equivalence, Finance Systems & Regulation of Financial sectors; Financial Crises & Regulatory response.

Readings:

1. Blanchard, *Macroeconomics*, 5th edition, ch. 24-26.
2. Mishkin, *Macroeconomics*, ch. 14 (pages 345-357 + problems at the end of the chapter); ch 15 (pages 363-368 & 386-390).

4. Schools of Macroeconomic Thoughts**(Approx. number of lectures: 12)**

Classicals; Keynesians; New-Classicals and New-Keynesians.

Readings:

1. Heijdra, *Foundations of Modern Macroeconomics*, 2nded, pages 19-28.

2. Gordon, *Macroeconomics*, 12thed, ch. 17.

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 Examination (75 marks) will have the following format:

The question paper should have total **five** questions (of equal marks) with the following distribution across topics: 1 question from topic 1, 2 questions from topics 2A, 2B and 2C together, 2 questions from topics 3 and 4 together.