

Course title: Macroeconomics for Public Policy				
Course code: PPS 148		No. of credits: 4	L-T-P: 48-8-0	
Pre-requisite course code and title (if any): None				
Faculty: Faculty of Policy and Planning		Department: Department of Policy Studies		
Course coordinator: Nandan Nawn		Course instructor:		
Contact details:				
Course type: Compulsory		Course offered in: Semester 2		
Course description:				
<p>This course will cover the standard economic analysis of the behaviour of economic aggregates like Gross Domestic Product, employment and the price level in a market economy characterized by the use of money and credit, bringing in also the open economy context. Issues like fiscal deficit, inflation, volatile exchange rate, etc. shall be covered along with an assessment of the role government (fiscal and monetary) policy that can play in mitigating or creating such phenomena. In addition, the role of financial markets and institutions that can influence the (fiscal and monetary) policy outcomes will be covered with a focus on Indian economy in the recent times.</p>				
Course objectives:				
<ul style="list-style-type: none"> • To provide a clear understanding on the macroeconomic theories, concepts and principles • To connect the theory, concept and principles with the fiscal and monetary policies 				
Course contents				
Module	Topic	L	T	P
1	Module 1: Introduction <ul style="list-style-type: none"> ▪ Production, Consumption, Investment and Exchange of Goods and Services ▪ Macroeconomic Aggregates, Circular Flow of Income and its Criticism ▪ Methods of Calculating National Income—income, expenditure, value added ▪ Nominal and Real GDP ▪ Limitations of GDP as a measure of well-being ▪ Price indices for temporal comparisons 	4		
2	Module 4: Introduction to Schools of Macroeconomics and role of government <ul style="list-style-type: none"> ▪ Keynesian Revolution as a critic of Classical School ▪ Rise of Monetarism ▪ New Classicals and New Keynesians ▪ Old and New Growth Theories 	3		
3	Module 3: The Short Run <ul style="list-style-type: none"> ▪ The Goods Market: determination of equilibrium output ▪ Financial Markets: demand for money and interest rates ▪ Goods and Financial markets: IS-LM Model ▪ General Overview of Fiscal and Monetary Policies ▪ Monetary and Fiscal Policies--relative effectiveness 	5		
4	Module 4: The Medium Run <ul style="list-style-type: none"> ▪ Labour Market: Wage determination and wage Rigidity ▪ Natural Rate of Unemployment ▪ Philips Curve ▪ AD-AS model 	5		
5	Module 5: The Long Run <ul style="list-style-type: none"> ▪ Economic Growth: Solow Model ▪ Determinants of Economic Growth in Short, medium and long run 	3		
6	Module 6: Macroeconomics of the Open Economy <ul style="list-style-type: none"> ▪ Openness in Goods and Financial Markets ▪ Depreciation, Trade Balance and Marshal-Lerner condition ▪ International Transactions and exchange rates—nominal and real ▪ Exchange rate management, the international and Indian experience ▪ Equilibrium in an Open Economy ▪ Public Policies and Events affecting Open Economy ▪ Capital Flight 	6		

7	Module 7: Looking back at New Classical and New Keynesian theories <ul style="list-style-type: none"> ▪ Rational Expectations ▪ Question of Persistence ▪ Auction Market versus Contractual views of Labour market ▪ Real Business Cycle Models ▪ Sticky Price (Menu Cost), Efficiency Wage, Insider-outsider models, Hysteresis 	6		
8	Module 8: Summing Up of Fiscal and Monetary Policies <ul style="list-style-type: none"> ▪ Policymaking under Uncertainty and Expectations 	2		
9	Module 9: Indian experience: Fiscal Matters <ul style="list-style-type: none"> • Independence or calibration between fiscal and monetary policies • Expansion, contraction, prudence and austerity • Fiscal Deficit targets and FRBM Act • Goods and Services Tax 	6	4	
10	Indian Experience: Monetary Matters <ul style="list-style-type: none"> • Deregulation and Regulations • Inflation targeting • Taylor Rule—trade-offs • Autonomy of Central Bank in an era of foreign capital inflow 	6	4	
11	Module 11: Indian Experience: Growth of GDP and its impacts <ul style="list-style-type: none"> • Drivers of economic growth and lack of it • Opening up—precautions and checks • Can growth reduce poverty? 	2		
	Total	48	8	
Evaluation criteria:				
Assignments/Presentations		50%		
Written Test		50%		
Learning outcomes:				
On completion of this course, the students would:				
1. Have acquired an understanding of the basic macroeconomic concepts and theories				
2. Have developed an ability to connect the macroeconomic events with the theories				
Pedagogical approach:				
The course will be delivered through a mix of classroom lectures and discussions around recent events from Indian economy.				
Materials:				
Texts: (selected chapters from)				
J R Hicks, M Mukherjee and S K Ghosh, 1984, <i>The Framework of the Indian Economy</i> , OUP				
Richard T. Froyen, 2004, <i>Macroeconomics: Theories and Policies</i> , 8 th Edition, Pearson				
Olivier Blanchard and David R. Johnson, 2013, <i>Macroeconomics</i> , Sixth Edition, Pearson				
C. T. Kurien, 2012, <i>Wealth and Illfare: an expedition into Real Life Economics</i> , Books for Change, Bangalore				
Brian Snowdon and Howard R. Vane, 2005, <i>Modern Macroeconomics</i> , Edward Elgar				
NCERT, 2012, <i>Macroeconomics</i> , NCERT				
N Gregory Mankiw, 2008, <i>Principles of Macroeconomics</i> , South-Western Cengage Learning				
Module 1: Introduction				
Text: Hicks, Chapter 1-2; NCERT, Chapter 1 and 2; Mankiw, Chapter 11				
[Debate: J Dennis Rajakumar, S L Shetty, 2016, 'Some Puzzling Features of India's Recent GDP Numbers', <i>EPW</i> , LI (2)]				
Module 2: Introduction to Schools of Macroeconomics and role of Government				
Text: Snowden and Vane Chapter 1: 3-35; Blanchard and Johnson, Chapter 25; Mankiw, Chapter 23; NCERT Chapter 5				

Module 3: The Short Run

Text: Blanchard and Johnson, Chapter 3-5; Froyen Chapter 6: 109-131, Chapter 7; NCERT Chapter 3; Kurien Chapter 5; Musgrave and Musgrave, Chapter 1, 12-16

Module 4: The Medium Run

Text: Froyen, Chapter 8, 10; Blanchard and Johnson, Chapter 6-8
Additional Reading: Froyen Chapter 9

Module 5: The Long Run

Text: Blanchard and Johnson, Chapter 10-13; Kurien, Chapter 12

Module 6: Macroeconomics of the Open Economy

Reference: Blanchard and Johnson 18-21, NCERT Chapter 6

Module 7: Looking back at New Classical and New Keynesian theories

Text: Froyen Chapter 11-12

Module 8: Summing Up of Fiscal and Monetary Policies

Text: Blanchard and Johnson 22-24; Mankiw Chapter 21

Module 9: Indian experience: Fiscal Matters

Articles:

- EPW Research Foundation, 1995, 'Need for Review of Monetary and Fiscal Policies', *EPW*, June 10
EPW Research Foundation, 1999, 'Monetary Policy Hampered by Fiscal Inaction', *EPW*, March 20
EPW Research Foundation, 2000, 'Need for Expansionary Fiscal and Monetary Policies', *EPW*, February 19-26
Pinaki Chakraborty, Lekha Chakraborty, 2016, 'Beyond Fiscal Prudence and Consolidation', *EPW*, April 16
Prabhat Patnaik, 2015, 'A Note on the Elementary Macroeconomics of Austerity' *EPW*, December 19
Sashi Sivramkrishna, 2015, 'Decentering the Fiscal Deficit Target Numbers', *EPW*, May 9
Siddhartha K Rastogi, 2015, 'Recalibrating Fiscal Deficit Numbers for India' *EPW*, September 19
Kavita Rao, 2016, 'Income Tax Policy: Critique of the Economic Survey 2015–16', *EPW*, April 2
Arun Kumar, 2015, 'Macroeconomic Aspects of Goods and Services Tax', *EPW*, July 18

Module 10: Indian Experience: Monetary Matters

Articles:

- Y V Reddy, 2012, 'Society, Economic Policies and the Financial Sector' *EPW*, August 18
V M Dandekar, 1986, 'Monetary Policy for Independent Monetary Authority', *EPW*, January 25
Rakesh Mohan, 2005, 'Financial Sector Reforms in India: Policies and Performance Analysis', *EPW*, March 19
Y V Reddy, 2009, 'India's Financial Sector in Current Times', *EPW*, November 7
R H Patil, 2010, 'Financial Sector Reforms: Realities and Myths', *EPW*, May 8
Y V Reddy, 2010, 'Financial Sector Regulation in India', *EPW*, April 3
Alok Sheel, 2014, 'A Monetary Policy Rule for Emerging Market Economies The Impossible Trinity and the Taylor Rule', *EPW*, January 25
Alok Sheel, 2015, 'Deconstructing Indian Monetary Policy through the Taylor Rule', *EPW*, August 22
Alok Sheel, 2016, 'Monetary Policy Dilemmas at the Current Juncture', *EPW*, March 19
C P Chandrasekhar, 2014, 'Off-target on Monetary Policy', *EPW*, March 1

Module 11: Indian Experience: Growth of GDP and its impacts

Articles:

Rakesh Mohan, 2008, 'Growth Record of the Indian Economy, 1950-2008: A Story of Sustained Savings and Investment', *EPW*, May 10
Alok Sheel, 2013, 'Macroeconomic Policies for India's Growth Crisis', *EPW*, May 11.
Pulapre Balakrishnan, 2014, 'The Great Reversal: A Macro Story', *EPW*, May 24.
C P Chandrasekhar, 2013, 'Macroeconomic Vulnerability and the Rupee's Decline', *EPW*, September 21
S Subramanian, D Jayaraj, 2016, 'The Quintile Income Statistic, Money-metric Poverty, and Desequalising Growth in India: 1983 to 2011-12', *EPW*, January 30

Additional information (if any):

Student responsibilities: Reading financial newspapers like *Mint*, *Economic Times*, *Business Line*, as well magazines like *Economist*, for identifying the relevant topics for the assignment.

Course reviewers:

Dr. Mausumi Das, Associate Professor, Delhi School of Economics

Dr. Sabyasachi Kar, Associate Professor, Institute of Economic Growth, Delhi