

<b>Course title</b> Macroeconomics			
<b>Course code:</b> MPE 121	<b>No. of credits</b> 4	<b>L-T-P distribution</b> 56-0-0	<b>Learning hours</b> 56
<b>Pre-requisite course code and title (if any)</b> 10+2 level knowledge of Mathematics			
<b>Course type</b> Core		<b>Department</b> Policy Studies	
<b>Course coordinator (s)</b> Shantanu De Roy		<b>Course instructor (s)</b> Shantanu De Roy	
<b>Contact details</b> <a href="mailto:shantanu.roy@terisas.ac.in">shantanu.roy@terisas.ac.in</a>			
<b>Course offered in</b> semester 1			
<b>Course description</b> Macroeconomics—the study of the dynamics of economic aggregates—is one of the foundational areas of economics. Attempts to understand macroeconomic phenomena have been one of the major drivers of modern economic theory and the fruits of this study have helped to improve economic policy. This course aims to introduce students with the major schools of macroeconomic thought with the objective to expose them to different debates in macroeconomic theory.			
<b>Course objectives</b> 1. Acquaint students to the different schools of macroeconomic thought. 2. Exposing students to the debates on macroeconomic policy making at different points in time.			
<b>Module</b>	<b>Course content</b>	<b>L</b>	<b>T</b>
1	<b>Introduction</b> - Classical theory of output, employment and money - Macroeconomic aggregates, circular flow of income, Simple Keynesian Model, IS-LM model - The “virtual”, “real” and “real-real” levels of the economy	6	
2	<b>Keynesian Macroeconomics</b> - The principle of aggregate demand - Determination of investment - Liquidity preference theory	18	
3	<b>Neo-classical Synthesis and Monetarism</b> - IS-LM model - The role of monetary policy - A heterodox critique of monetarism	4	
4	<b>New Classical Approach</b> - A mainstream critique of monetarism—rational expectations and neutrality of money	2	
5	<b>Real Business Cycle Theory</b> -Explaining macroeconomic fluctuations from a mainstream perspective	2	
6	<b>New Keynesian Paradigm</b> - Nominal price rigidity in the product market - Efficiency wage theories - Hysteresis - A mainstream critique of new classical economics - Macroeconomics without the LM curve - Relationship between output and inflation—Keynesian, Monetarist, New Classical and New Keynesian Phillips Curve	18	
7	<b>Dynamic Stochastic General Equilibrium Modelling</b> - The basic three equation in New Keynesian DSGE model - Monetary policy in the basic three equation model - Extensions of the basic model: financial frictions, unemployment	6	
		56	
		<b>Total:</b>	
<b>Evaluation criteria</b> The course evaluates students on three grounds: – <b>Test 1</b> (written exam): 25%. – <b>Test 2:</b> (written exam) 30%. – <b>Test 3</b> (written exam): 45%.			

## Learning outcomes

By the end of the course, students will:

- command a critical understanding of the key concepts regarding different schools of macroeconomic theory.
- Will be introduced to the plurality of macroeconomic thought.

## Pedagogical approach

- Class interactions and discussions

## Materials

### Optional textbook:

Bhaduri, A. (1986). *Macroeconomics: The Dynamics of Commodity Production*, Macmillan India Ltd.  
Keynes, J. M. (1935): *The General Theory of Employment, Interest and Money*, Atlantic Publishers and Distributors, New Delhi.  
Patnaik, P. (2009): *The Value of Money*, Columbia University Press.  
Romer, D. (2012): *Advanced Macroeconomics* (fourth edition), McGraw-Hill Publishers.  
Woodford, Michael (2003). *Interest and Prices: Foundations of a Theory of Monetary Policy*, Princeton University Press.

### Reading materials:

#### Module 1:

Froyen, R. T. (2008). *Macroeconomics: Theories and Policies*, (Chapters 5-8), 9<sup>th</sup> Edition, Pearson.

#### Module 2:

Bhaduri, A. (1986). *Macroeconomics: The Dynamics of Commodity Production*, (Chapters 1-4), Macmillan India Ltd.  
Kalecki, M. (1937). The Principle of Increasing Risk. *Economica*, 16(4), pp. 440-447.  
Keynes, J. M. (1935): *The General Theory of Employment, Interest and Money*, (Chapters 4, 11, 12, 13), Atlantic Publishers and Distributors, New Delhi.

#### Module 3:

Hicks, J. R. (1937). Mr. Keynes and the "Classics": A Suggested Interpretation. *Econometrica*, 5(2), pp. 147-159.  
Minsky, H. P. (1976). The Conventional Wisdom: The Standard Interpretation of Keynes (Chapter 2) in *John Maynard Keynes*, McGraw-Hill Publishers.  
Friedman, M. (1968). The Role of Monetary Policy, *American Economic Review*, 58(1), pp. 1-17.  
\_\_\_\_\_ (1976). Nobel Memorial Lecture: Inflation and Unemployment. December 13.  
Kaldor, N. (1985). Why Monetarism Failed? *Challenge*, 28(2), pp. 4-13.  
Patnaik, P. (2009): *The Value of Money*, (Chapters 2, 4 and 5)

#### Module 4:

Lucas Jr., R. E. (1978). Unemployment Policy, *The American Economic Review*, 68(2), pp. 353-357.  
----do---- (1996). Nobel Lecture: Monetary Neutrality, *Journal of Political Economy*. 104(4), pp. 661-682.  
Patnaik, P. (2009): *The Value of Money*, (Chapter 6)

#### Module 5:

Romer, D. (2012). *Advanced Macroeconomics* (Chapter 5), 4<sup>th</sup> Edition, McGraw-Hill.

#### Module 6:

Shapiro, C and Stiglitz, J. E. (1986). Equilibrium Unemployment as a Worker Discipline Device in Akerlof, G. A and J. L. Yellen (eds.), *Efficiency Wage Models of the Labour Market*. Cambridge University Press.  
Gordon, R. J. (1990). What is new-Keynesian Economics?. *Journal of Economic Literature*, 28(3), pp. 1115-1171.  
Romer, D. (2000). Keynesian Macroeconomics without the LM Curve, *The Journal of Economic Perspectives*, 14(2), pp. 149-169.  
Snowdon, B. & Vane, H. R. (2005). *Modern Macroeconomics: Its Origins, Developments and Current States* (Chapter 7), Edward Elgar.

Azad, R. & Saratchand, C. (2015). A Macro-theoretic Survey of Monetary Policy in a Closed Economy, in P. Patnaik (Ed.), *ICSSR Research Surveys and Explorations*, Volume 3, pp. 75-116, Oxford University Press.

#### Module 7:

Romer, D. (2012). *Advanced Macroeconomics* (Chapter 7), 4<sup>th</sup> Edition, McGraw-Hill.  
Clarida, R., Gali, J. and Gertler, M. (1999). The Science of Monetary Policy: A New Keynesian Perspective, *Journal of Economic Literature*, 37(4), pp. 1661-1707.

**Optional Readings:**

Kay, John (2015). *Other People's Money: The Real Business of Finance*, Public Affairs, New York.

Turner, Adair (2016). *Between Debt and the Devil: Money, Credit and Fixing Global Finance*, Princeton University Press, Princeton and Oxford.

## Course reviewers:

- Dr. Mausumi Das, Associate Professor, Delhi School of Economics
- Dr. Jyotirmoy Bhattacharya, Associate Professor, School of Liberal Studies, Ambedkar University Delhi
- Dr. Rohit Azad, Assistant Professor, Centre for Economic Studies and Planning, JNU

Prepared by: Dr. Shantanu De Roy

