

Course title: Macroeconomics				
Course code: MPE 121		No. of credits: 4	L-T-P distribution: 60-0-0	
Learning hours: 60				
Pre-requisite course code and title (if any) 10+2 level knowledge of Mathematics				
Course type: Core			Department: Department of Policy Studies	
Course coordinator (s): Dr Shantanu De Roy			Course instructor(s): Dr Shantanu De Roy	
Contact details shantanu.roy@terisas.ac.in			Course offered: Semester 1	
Course description 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.				
Course objectives 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.				
Module	Course content	L	T	P
1	Introduction - 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	Keynesian Macroeconomics - The principle of aggregate demand - Determination of investment - Liquidity preference theory	18		
3	Neo-classical Synthesis and Monetarism - IS-LM model - The role of monetary policy - A heterodox critique of monetarism	4		
4	New Classical Approach - A mainstream critique of monetarism—rational expectations and neutrality of money	4		
5	Real Business Cycle Theory -Explaining macroeconomic fluctuations from a mainstream perspective	4		
6	New Keynesian Paradigm - 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	Dynamic Stochastic General Equilibrium Modelling - 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		
Total		60		
Evaluation criteria The course evaluates students on three grounds: – Test 1 (written exam): 25%. (at the end of teaching of module 1) – Test 2: (written exam) 30%. (at the end of teaching of modules 2 and 3) – Test 3 (written exam): 45%. (after the completion of modules 4, 5, 6 and 7, at the end of the semester)				

Learning outcomes

By the end of the course, students will:

- Command understanding of the basic concepts of Macroeconomics (Test 1)
- Be equipped with alternative traditions of Macroeconomics through deeper understanding of the Keynesian school of thought and identify the key theoretical differences with the schools of thoughts that emerged as critiques of Keynesianism (Test 2)
- Command critical understanding of the mainstream views and micro-foundations of Macroeconomics (Test 3)

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), 9th 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), 4th 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), 4th 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:

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Dr. Jyotirmoy Bhattacharya, Associate Professor, School of Liberal Studies, Ambedkar University Delhi

Dr. Rohit Azad, Assistant Professor, Centre for Economic Studies and Planning, JNU

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