

M.A. 2nd Semester
Paper-202 (Compulsory)

Time : 3 Hrs.
Max. Marks : 100
External : 80
Internal : 20

MACRO ECONOMIC ANALYSIS-II

- Note:** (i) Nine Questions will be set in all and students will be required to attempt 5 questions.
(ii) Question No. 1 will be compulsory and will consist of 8 short answer type questions of 2 marks spread over the entire syllabus (2*8=16 marks).
(iii) For the remaining four questions, students will attempt 1 out of 2 questions from each of the four units (16 marks each).

PREAMBLE

Macroeconomics analyses and establishes the functional relationship between large aggregates. The aggregate analysis has assumed such a great significance in recent times that a prior understanding of macroeconomics theoretical structure is considered essential for the proper comprehension of the different issues and policies. Macroeconomics now is not only a scientific method of analysis; but also a body of empirical economic knowledge. The paper entitled “Macro Economics Analysis” equips the students at the postgraduate level to understand systematic facts and latest theoretical developments for empirical analysis at economy level.

Unit-I

Open Macro Economics

International flow of capital and goods; saving and investment in a small open economy; Exchange Rates-real and nominal; Demand and supply of Foreign Exchange; Balance of payments-current and capital account; Mundell-Fleming Model under fixed and flexible exchange rates.

Unit-II

Theory of Inflation

Classical, Keynesian and Monetarist approaches; Structuralist theory of inflation; Philips curve analysis – Short run and long run Philips curve; Natural Rate of Unemployment hypothesis; Tobin’s modified Philips curve. Search Theory – DMP (Diamond, Mortenson, Pissarides) Model.

Unit-III

Theory of Business Cycles

Business Cycle Theories of Schumpeter, Kaldor, Samuelson and Hicks; Control of business cycles – relative efficacy of monetary and fiscal policies.

Unit-IV

Macro Economic Policy

Monetary and Fiscal Policy- Targets and instruments; Conflicting objectives and coordination of objectives; Elasticities and effectiveness of monetary and fiscal policy. The Great Depression; Lags in the effects of policies; Expectations and Reactions; Uncertainty and Economic Policy; Economic Policy - Rules vs Discretion .

Recent Developments

The Concept of Rational Expectations; New Classical Macro Economics – basic approach and policy implications; New Keynesian Economics - Sticky Nominal prices (Mankiw Model).

Basic Reading List

- Ackley, G. (1978), Macroeconomics: Theory and Policy, Macmillan, New York.
- Blackhouse, R. and A. Salansi (Eds.) (2000), Macroeconomics and the Real World (2 Vols.), Oxford University Press, London.
- Branson, W.A. (1989), Macroeconomic Theory and Policy, (3rd Edition), Harper and Row, New York.
- Dornbusch, R. and F. Stanley (1999), Macroeconomics, Irwin McGraw Hill, Inc. New York, 7th Edition.
- Heijdra, B.J. and V.P. Fredericck (2001), Foundations of Modern Macroeconomics, Oxford University Press, New Delhi.
- Jha, R. (1991), Contemporary Macroeconomic Theory and Policy, Wiley Eastern Ltd., New Delhi.
- Romer, D.L. (1996), Advanced Macroeconomics, McGraw Hill Company Ltd., New York.
- Shapiro, E. (1996), Macroeconomic Analysis, Galgotia Publications, New Delhi.

Additional Reading List

- Mankiw, N.G. and D. Romer (Eds.) (1991), New Keynesian Economics, (2Vols.), MIT Press, Cambridge.
- Mankiw, N. Greogory (2000), Macroeconomics Macmillan Worth Publishers 4th Edition
- Frisch, H. (1983), Theories of Inflation, Cambridge University Press, Cambridge.
- Sheffirin, S.M. (1996), Rational Expectations, Cambridge University Press, Cambridge.
- Lucas, R. (1981), Studies in Business Cycle Theory, MIT Press, Cambridge, Masscechusetts.

- Taylor, L. (1983), Structuralist Macroeconomics, Basic Books, New Longman.
- Turnovsky, S.J. (1977), Macroeconomic Analysis and Stabilization Policy, Cambridge University Press, Cambridge.
- Ruggles R. and N. Ruggles (1956), National Income Accounts and Income Analysis Mc Graw Hill, Newyork.
- Veniers, Y.P. and F.D.Sebold, (1977) Macroeconomics; Models and Policy John Wiley and Inc, USA.
- Dernburg , T.F.and D. M.Mc Dougall, Macroeconomics, McGraw Hill International Book Company.