

**PRESENTATION OF
MACROECONOMICS SYLLABUS
FOR ECONOMICS HONOURS UNDER
CBCS,
UNIVERSITY OF CALCUTTA**

Kausik Gupta

Professor of Economics,

University of Calcutta

Introductory Remarks

- There are three parts of the Course. The first is ‘Introductory Macroeconomics’ for Semester-II (100 marks, 5+1=6 credits) , the second part is ‘Intermediate Macroeconomics-I’ for Semester-III (100 marks, 5+1=6 credits) and the third part is ‘Intermediate Macroeconomics-II’ (100 marks, 5+1=6 credits) for Semester-III.

- The course covers all aspects of Macroeconomics: the traditional topics along with modern developments.
- As a common Macroeconomics course it starts from National Income and ends with Theories of Economic Growth.
- The main objective idea of the course is to give a clear idea of macroeconomic theory and policy along with flavours of modern development of macroeconomic theories.
- The major learning outcome of the three part Macroeconomics course is that it will help the students to understand the policies that are undertaken by the Government in the context of a developing economy.
- Students will have a preliminary idea of macroeconomic policy issues for India.
- For the first two parts of the course the main text is the book by Dornbusch, Fischer and Startz and for

the third part the texts are the books by Mankiw and Ghosh and Ghosh on ‘Macroeconomics’.

- Useful references are Froyen (for all three courses), Soumyen Sikdar (for Introductory Macroeconomics) Gardner Ackley [old and New] and also Branson (for Intermediate Macroeconomics) and David Romer (for Macroeconomics II) and Barro and Sala-i-Martin (for Macroeconomics II)
- Let us first of all have a look at the syllabus for Introductory Macroeconomics along with illustrations:

Course Content with Illustrations

Economics Core Course III: ECO-A-CC-2-3-TH-TU

Introductory Macroeconomics

Total Marks: 100 [Theory (Th) 65 + Tutorial(Tu) 15 +

Internal Assessment 10+Attendance: 10]

Total Credits: [5(Th)+1(Tu)]=6 ,

No. of Lecture hours: 75, No. of Tutorial contact hours: 15

[For Semester-II]

ECO-A-CC-2-3-TH

1. Basic issues in National Income Accounting, Open Economy Accounting, Unemployment and Growth Accounting **30 lecture hours**

- Macroeconomic data- Basic concepts of National Income accounting. The circular flow. Concepts of GNP, GDP, NNP, and NDP at market price and at factor cost. The measurement of National Income-Value Added Method and Expenditure Method. The problem of double counting. The role of Government. Concepts of Corporate Income, Corporate Savings, Personal Income, Personal Disposable Income and Personal Savings. Saving-Investment gap and its relation with budget deficit and trade surplus. National Income accounting and cost of living. Basic idea of India's national income.
- Open Economy- Balance of Payments, exchange rates, and capital flow. Basic idea of India's Balance of payments position.
- Concept of unemployment - types and their characteristics. Basic idea of India's unemployment scenario.

- Concept of Growth- role of savings, investment, and financial intermediation; Growth accounting and Solow residual-basic ideas.

[Though it is the Introductory Macroeconomics Course, in my opinion to understand any macroeconomic theory a student should start from a rigorous analysis of national income accounting. As it is a course under second semester I had in mind to design the course in a manner so that the student can understand the basic linkages of the economy without much wastage of time. Dornbusch, Fischer and Startz is the basic reference. For a beginner the book by Soumyen Sikdar is helpful for easy understanding. For an in-depth knowledge on national income accounting the book by Ghosh and Ghosh on Macroeconomics is the standard reference]

2. Basic ideas of the Classical system 15 lecture hours

- Basic ideas of Classical Macroeconomics
- Say's Law and Quantity Theory of Money
- Loanable fund theory
- Full Employment and wage-price flexibility

- Classical Dichotomy and Neutrality of Money-introductory ideas

[My suggestion is to refer to the book by Soumyen Sikdar and Ghosh and Ghosh 'Macroeconomics' for this part]

3. Basic ideas of the Keynesian system 15 lecture hours

- Fixed-price framework- the Simple Keynesian Model-the Keynesian consumption function. Equilibrium income determination. The demand-determined system and the Simple Keynesian multiplier. The concept of effective demand.
- Marginal efficiency of capital and marginal productivity of capital. Keynesian confusion and post-Keynesian refinements to distinguish between marginal efficiency of capital and marginal efficiency of investment.
- Bond price and rate of interest. Keynesian liquidity preference schedule-The role of the concept of speculative demand for money and liquidity trap in the Keynesian system.
- Wage rigidity and involuntary unemployment in the Keynesian system.

[To have a basic idea the book by Froyen can be referred for this part]

4. Basic elements of Money Supply and Inflation

15 lecture hours

- Measures of money supply with special reference to India
- Balance sheet view of money supplied by the banking sector as a whole
- High powered money –definition
- Balance sheet of Reserve Bank of India and High powered money
- Balance sheet of Commercial banks and basic ideas of money multiplier theory
- The concept of Inflationary Gap.
- Demand pull vs. Cost push inflation
- Mark-up inflation
- The concept of stagflation
- Central Bank's role in controlling inflation: Monetary policy.

[One can ask me that though in the syllabus for inflation has been included as a topic in 3rd semester (under Intermediate Macroeconomics-I) and money supply as a topic has been included as a topic in 4th semester (under Intermediate Macroeconomics-II) what is the use of including it as a topic in the course under Introductory Macroeconomics in 2nd semester?

The answer is simple:

The approach of inflation here is different from the approach of inflation in semester 3. In semester 2 the focus is on the basic issues of inflation whereas in semester 3 the focus is on inflation and expectations. Similarly in semester 2 under money supply the focus is more on balance sheet view whereas in semester 4 the focus is more on the money multiplier and statutory liquidity ratio.

Though it is not shown in the reference list teachers who are interested to have a copy of Mihir Rakshit's SBI lecture on money supply (soft copy not available) can photocopy it later from me. It is very helpful to teach balance sheet approach to money supply, budgetary operations and money multiplier theory.]

ECO-A-CC-2-3-TU

Tutorial Contact hours: 15

[For tutorial examination five topics can be considered for demonstration lecture like (this is not final and is considered here just for illustrative purpose):

- National Income accounting
- Keynesian liquidity preference function
- Marginal efficiency of Capital and Marginal Efficiency of Investment
- Balance Sheet view of Money supply
- Demand Pull and Cost Push Inflation

Students may be asked to deliver demonstration lecture on any one of the five topics (10 marks) **in front of an external examiner** followed by a viva-voce examination **to be taken by the external examiner** on the basis of the demonstration lecture (05 marks)]

Textbooks:

Dornbusch, Fischer and Startz, Macroeconomics, McGraw Hill, 11th edition, 2010.

N. Gregory Mankiw. Principles of Macroeconomics, Indian Imprint of South Western by Cengage India, 6th edition, 2015.

References

Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.

Andrew B. Abel and Ben S. Bernanke, Macroeconomics, Pearson Education, Inc., 7th edition, 2011.

Ghosh Chandana and Ghosh Ambar, Macroeconomics, PHI Learning Pvt Ltd, 2014

Ghosh Chandana and Ghosh Ambar, Indian Economy : A Macro-theoretic Analysis, PHI Learning Pvt Ltd, 2016.

J.R.Hicks. The Social Framework: An Introduction to Economics, Clarendon Press, 3rd edition, 1960

Sikdar Soumyen, Principles of Macroeconomics, Oxford University Press

Economic Survey , Government of India, various issues.

Economics Core Course VI: ECO-A-CC-3-6-TH-TU

Intermediate Macroeconomics-I

Total Marks: 100 [Theory(Th) 65 + Tutorial(Tu) 15 + Internal Assessment 10+Attendance: 10]

Total Credits: [5(Th)+1(Tu)]=6 ,

No. of Lecture hours: 75, No. of Tutorial contact hours: 15

[For Semester- III]

ECO-A-CC-3-6-TH

1. Income Determination in the Short-run

25 lecture hours

- Simple Keynesian System: Multipliers; equilibrium in both closed and open economy and stability; autonomous expenditure, balanced budget, and net exports; paradox of thrift.
- IS-LM Model - equilibrium, stability and comparative statics. Crowding out .Effects of fiscal and monetary policies.

[References are (i) Dornbusch, Fischer and Startz, (ii) Branson and (iii) Ghosh and Ghosh ‘Macroeconomics’]

2. Aggregate Demand and Aggregate Supply- the Complete Keynesian Model

15 lecture hours

- Derivation of aggregate demand assuming price flexibility.
- Derivation of aggregate supply curves both in the presence and absence of wage rigidity.
- Equilibrium, stability, and comparative statics-effects of monetary and fiscal policies. Effects of wage cut.
- Unemployment equilibrium and its causes- possible solutions including real balance effect.

[References are (i) Dornbusch, Fischer and Startz , (ii) Ghosh and Ghosh ‘Macroeconomics’, (iii) Froyen, (iv) Levacic. For unemployment equilibrium one can see Blaug]

3. Schools of Macroeconomic Thought

18 lecture hours

- Classical System: Say’s law and quantity theory.
- Classical dichotomy and neutrality of money.
- Friedman’s restatement of classical ideas.
- Keynesian vs classical system.

- Hybrid models under Classical/Keynesian framework.

[Old books are back. References are Ackley (old and new), Levacic. One can also see Ghosh and Ghosh (Macroeconomics)]

4. Inflation, Unemployment and Expectations

17 lecture hours

- Inflation and unemployment trade-off
- Four models of aggregate supply : The Sticky-Wage Model, The Worker-Misperception Model, The Imperfect Information Model and The Sticky-Price Model
- Deriving the Phillips Curve from Aggregate Supply Curve
- Short run and long- run Phillips curve under adaptive expectations
- Disinflation and the Sacrifice Ratio
- Rational expectations and Phillips curve

[Main Reference is Mankiw : Macroeconomics]

ECO-A-CC-3-6-TU

Tutorial Contact hours: 15

[For tutorial examination five topics can be considered for demonstration lecture like (this is not final and is considered here just for illustrative purpose):

- Simple Keynesian Model
- IS-LM Model
- The Complete Keynesian Model
- Keynes vs. Classics
- Inflation and Unemployment

Students may be asked to deliver demonstration lecture on any one of the five topics (10 marks) **in front of an external examiner** followed by a viva-voce examination **to be taken by the external examiner** on the basis of the demonstration lecture (05 marks)]

Textbooks:

- Dornbusch, Fischer and Startz, Macroeconomics, McGraw Hill, 11th edition, 2010.
- N. Gregory Mankiw. Macroeconomics, Worth Publishers, 2010

References

- Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.
- Ackley Gardner (old), Macroeconomic Theory, Macmillan, 1961
- Ackley Gardner(new), Macroeconomics : Theory and Policy : Macmillan,1978
- Ghosh Chandana and Ghosh Ambar, Macroeconomics, PHI Learning Pvt Ltd, 2014
- Andrew B. Abel and Ben S. Bernanke, Macroeconomics, Pearson Education, Inc., 7th edition, 2011.
- Richard T. Froyen, Macroeconomics, Pearson Education Asia, 10th edition, 2016.
- William Branson. Macroeconomic Theory and Policy, Indian reprint, East West Press, 3rd edition, 2014.
- Levacic Rosalind and Rebmann Alexander, Macroeconomics: An Introduction to Keynesian and Neo-Keynesian Controversies, Palgrave Macmillan, 1982.
- Sikdar Soumyen, Principles of Macroeconomics, Oxford University Press

- Blaug Mark , Economic Theory in Retrospect, 5th Edition, Cambridge University Press, 1997.

Economics Core Course IX: ECO-A-CC-4-9-TH-TU

Intermediate Macroeconomics II

Total Marks: 100 [Theory(Th) 65 + Tutorial(Tu) 15 + Internal Assessment 10+Attendance: 10]

Total Credits: [5(Th)+1(Tu)]=6 ,

No. of Lecture hours: 75, No. of Tutorial contact hours: 15

[For Semester IV]

ECO-A-CC-4-9-TH

1. Basic Tenets of New Classical and New Keynesian Theories

12 lecture hours

- New Classical Theory-The concept of rational expectations and the theory of real business cycle-introductory ideas
- New Keynesian Theory- nominal rigidities and real rigidities, rigidities in interest rates and credit rationing-introductory ideas

[Common references are the books by (i) Mankiw, (ii) Romer and (iii) Froyen]

2. Macroeconomic Foundations

28 lecture hours

- Consumption: Keynesian consumption function; Fisher's theory of optimal intertemporal choice; life-cycle and permanent income hypotheses; Dusenberry's relative income hypothesis; rational expectations and random-walk of consumption expenditure.
- Investment: MEC and MEI- Jorgenson's neo-classical theory- Acceleration principle- fixed and variable.
- Demand for money: Regressive expectations and Tobin's portfolio choice models; Baumol's inventory theoretic money demand.

[Common references are the books by (i) Mankiw, (ii) Dornbusch, Fischer and Startz and (iii) Branson]

3. Money supply , Monetary Policy and Government Budgetary Operations **15 lecture hours**

- Money supply, High-powered money; money multiplier analysis.
- Monetary policy – Open Market Operations, Statutory Liquidity Ratio, Bank rate, variable reserve ratio, repo and reverse repo.
- Deficit financing and monetary policy
- Government Budget Deficit and Deficit Financing-Indian illustration
- Different types of Deficit in Indian context

[Common references are (i) Ghosh and Ghosh, Macroeconomics, (ii) Ghosh and Ghosh : Economics of the Public sector, (iii) Ghosh and Ghosh : Economics of the Public Sector. See also Mihir Rakshit's SBI lecture notes (though not mentioned in the reference list)].

4. Economic Growth

20 lecture hours

- Harrod and Domar models of economic growth.
- Solow one sector growth model-golden rule- -dynamic efficiency.
- Technological progress ,
- Elements of endogenous growth theory-basic ideas-the AK model

[Common References are (i) Domar, (ii) A.K.Sen (ed): Growth Economics and (iii) Barro and Sala-i-Martin]

ECO-A-CC-4-9-TU

Tutorial Contact hours: 15

[For tutorial examination five topics can be considered for demonstration lecture like (this is not final and is considered here just for illustrative purpose):

- New Classical Theory
- New Keynesian Theory
- Theories of Consumption Function
- Money supply and Budgetary Operations
- Endogenous Growth Theory-Basic Issues

Students may be asked to deliver demonstration lecture on any one of the five topics (10 marks) in front of an external examiner followed by a viva-voce examination to be taken by the external examiner on the basis of the demonstration lecture (05 marks)]

Textbooks:

- N. Gregory Mankiw. Macroeconomics, Worth Publishers, 2010
- Ghosh Chandana and Ghosh Ambar, Macroeconomics, PHI Learning Pvt Ltd, 2014

References

- Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.
- Romer David , Advanced Macroeconomics, McGraw Hill Education, 4th edition, 2011.
- Ghosh Chandana and Ghosh Ambar, Economics of the Public Sector, PHI Learning Pvt Ltd, 2008
- Andrew B. Abel and Ben S. Bernanke, Macroeconomics, Pearson Education, Inc., 7th edition, 2011.
- Richard T. Froyen, Macroeconomics, Pearson Education Asia, 10th edition, 2016.

- Steven M. Sheffrin, Rational Expectations, Cambridge University Press, 2nd edition, 1996.
- William Branson. Macroeconomics , Harper and Row, 3rd edition, 1989
- Snowdon and Vane (ed), A Macroeconomics Reader, Routledge, Taylor and Francis Group.
- R. Barro. Macroeconomics, 5th edition, The MIT Press, 1989
- A.K.Sen (ed). Growth Economics, Penguin, 1970
- Barro, R.J. and Xavier Sala-i-Martin , Economic Growth,
- Errol D'Souza. Macroeconomics, Pearson Education (New Delhi), 2009
- Dornbusch, Fischer and Startz, Macroeconomics, McGraw Hill, 11th edition, 2010.