# Macro Economics - Video course

COURSE OUTLINE

The course elaborates on the effectiveness of alternative stabilization policies in long run and cyclical Macroeconomic Theory. Assuming that a student has no prior knowledge of the subject, the course begins with a general discussion on how Macroeconomics is different from Microeconomics, common macroeconomic variables, the distinction between very long run Growth Theory, long run Classical Theory and short and medium run cyclical Keynesian Theory, Phillips Curve, Okun's Law, the structure of a macroeconomic model, and a brief statement on various policy results that follow from the alternative schools of thought (eg classical, Keynesian, new classical etc). The next topic is entirely devoted to National Income Accounting methods, price indices and unemployment rate. The Classical model is developed in the following topic, followed by the Keynesian Cross Model, Investment, IS-LM model, and the complete Keynesian model in subsequent topics. The course ends with a description of the Balance of Payments account, exchange rate systems, and an extension of the IS-LM model to the open economy. Both Monetary and Fiscal policy are discussed at length in the context of all these structural models.

COURSE DETAIL

Topic	Title	Issues	No. of lectures
01.	Introduction	Macroeconomic vs. Microeconomic Issues, Economic Systems, Alternative Branches of Macroeconomic Theory, Business Cycles, Prices Output & Employment, Structure of a Macro Model, Multipliers and Stabilization Policy, and Schools of Thought	3
02.	Measurement of Aggregate Economic Variables	National Income Accounting Methods: Output, Income & Expenditure Methods, Price Indices: CPI, WPI & GDP Deflator, and Unemployment Rate	7
03.	Classical Model	Goods Market, Money Market and Relationship between Money Market and non-Money Assets Market, Labour Market, Aggregate Demand and Supply Functions, Ineffectiveness of Monetary Policy, Voluntary Unemployment, and Quantity Theory of Money	4
	Discussion	Question/Answer Session with Students	1
04.	Keynesian Cross Model	Unutilized Capacity and Horizontal Aggregate Supply Function, Goods Market: Consumption Function & Savings Function, Goods Market Clearing Condition, Stability and Inventory Adjustments, and Expenditure and Tax Multipliers	5

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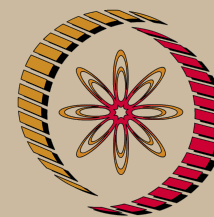
Humanities and Social Sciences

Pre-requisites:

- **Intermediate Microeconomic Theory Calculas**
- **Matrix Algebra**

Additional Reading:

- **W M Scarth, Macroeconomics: An Introduction to Advanced Methods, Worth Publishers.**
- **S J Turnovsky, Macroeconomic Analysis and Stabilization Policy, Cambridge University Press.**

Coordinators:

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05.	**Investment Theory**	Investment Functions, Inventory Investment, Business Fixed Investment, and Residential Investment	**2**
06.	**IS-LM Model**	Money Market and Keynesian Demand for Money Function, IS and LM Functions, Phase Diagram, Stability Conditions, Fiscal and Monetary Policies and their Effectiveness, Aggregate Demand Function	**7**
07.	**Variable Price Keynesian Model**	Labour Market Disequilibrium, Aggregate Supply Function, Involuntary Unemployment, Effectiveness of Fiscal and Monetary Policies	**4**
	Discussion	Exam paper Discussion	**1**
08.	**Hybrid Model**	IS-LM Model with Classical Labour Market, and Effectiveness of Tax Policy	**1**
09.	**Balance of Payments Account & Exchange Rate Systems**	Current Account and its Sub-accounts, Capital Account, Exchange Rate, Fixed vs Flexible Exchange Rate Systems, and Semi-floating Exchange Rate System	**2**
10.	**IS-LM-BP Model**	Open Economy IS Function, BP Function and Capital Mobility, and Fiscal and Monetary Policies under Fixed and Flexible Exchange Rate Systems	**4**
		TOTAL	**41**

References:

- **N. Gregory Mankiw, Macroeconomics, Worth Publishers.**
- **R Dornbusch, S Fischer and R Startz, Macroeconomics, McGraw-Hill.**