

Category III

Economics Courses for Undergraduate Programme of study with Economics as one of the Core Disciplines

(B.A. Programmes with Economics as non-Major or Minor discipline)

DISCIPLINE SPECIFIC CORE COURSE -4 (DSC-4): Intermediate Macroeconomics I: Foundations of Aggregate Income

Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
		Lecture	Tutorial	Practical/ Practice		
Intermediate Macroeconomics I: Foundations of Aggregate Income Determination – ECON008	4	3	1	0	Class 12th with Mathematics	NIL

Learning Objectives

The Learning Objectives of this course are as follows:

- This course builds upon the basic concepts of macroeconomics. It introduces labour markets and the aggregate supply (AS) curve.
- Aggregate Demand (AD) and Aggregate Supply (AS) are brought together to determine equilibrium prices and output examine the policy impacts.
- The course discusses Phillips curve and the alleged trade-off between inflation and unemployment. Both adaptive and rational expectations are introduced.
- A flavour of micro-foundations is introduced with respect to consumption and investment.

Learning outcomes

The Learning outcomes of this course are as follows:

- This course enables students to analyse the interaction of aggregate demand and supply and the effects of fiscal and monetary policy, trade-off between inflation and unemployment, and consumption and investment behaviour of the households.

Syllabus

UNIT I: Short-run and medium-run equilibrium (15 hours)

The labour market, Wage determination; wages, prices, and unemployment; natural rate of unemployment; from employment to output, Derivation of aggregate supply curve, Interaction of aggregate demand and supply to determine equilibrium output, price level and employment.

UNIT II: Philips Curve and Theory of Expectations (15 hours)

Inflation, unemployment and expectations, Phillips Curve; adaptive and rational expectations; policy ineffectiveness debate.

UNIT III: Microeconomic foundations of macroeconomic behaviours (15 hours)

Consumption: Keynesian consumption function; Fisher's theory of optimal intertemporal choice; life-cycle and permanent income hypotheses; other theories of consumption expenditure.

Investment: determinants of business fixed investment; residential investment and inventory investment.

Recommended readings

- Blanchard, O. (2006). *Macroeconomics*, 4th ed. Pearson Education.
- C.L.F. Attfield, D. Demery and N.W. Duck (1991). *Rational Expectations in Macroeconomics: an introduction to theory and evidence* 2nd Ed.
- Sheffrin, Steve (1996). *Rational Expectations*. 2nd ed., Cambridge University Press.
- Dornbusch, R., Fischer, S. (1994). *Macroeconomics*, 6th ed., McGraw-Hill.
- Branson, W. (2013). *Macroeconomics: Theory and policy*, 3rd ed, East West Press.
- Carlin, W and D Soskice (2007), *Macroeconomics: Imperfections, Institutions and Policies*, Indian Edition, OUP.

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.