

B.Com. (Hons.)
Paper-CH 3.3: Semester-III
Macro Economics

The Department of Commerce called a meeting of the teachers of Paper- CH 3.3: Macro Economics on 18th May, 2012 to determine the detailed guidelines for teaching and paper setting for 3rd semester of B.Com. (Hons.) for the academic year 2012-13 and onwards. After deliberations, the meeting formulated the following guidelines.

Structure of the Question Paper:

The question paper shall consist of 5 questions in all, with each question offering internal choice requiring the candidate to answer one of the two alternatives. **Each question shall carry 15 marks.** The general pattern shall be as follows:-

i.	Unit-I	05 marks
	Unit-V	10 marks
ii.	Unit-II & III	45 marks (including numerical question not exceeding 15 marks from Unit-II)
iii.	Unit-IV	15 marks

Detailed guidelines for reading:

UNIT-I

Introduction – concepts and variables of macroeconomics, income, expenditure and the circular flow, components of expenditure. Static macro economic analysis short and the long run – determination of supply, determination of demand, and conditions of equilibrium.

6 lectures

Reading:

Mankiw, N. Gregory, *Macroeconomics* 5th edition, Worth Publishers, 2003, Ch-3, Page. 42-65

UNIT-II

Economy in the short run (Aggregate Demand and Equilibrium Output). IS–LM framework, fiscal and monetary policy. Aggregate demand and aggregate supply analysis: determination of aggregate demand, shifts in aggregate demand, aggregate supply in the short and long run.

22 lectures

Reading:

Dornbusch, Rudiger., Stanley. Fischer and Richard Startz. *Macroeconomics* 9th edition, Ch-9: Page 215-230, Ch-10 (Section 10.1, 10.2, 10.3): Page 244- 261, Section 10.5: Page 263-265, Ch-11- Section 11.1, 11.2: Page 270-273, 278- 284., Ch-5- Section 5.1, 5.2, 5.3: Page 98-106

Mankiw, N. Gregory, *Macroeconomics* 5th edition, Worth Publishers, 2003, Ch-11- Section 11.2: Page 291-295.

UNIT-III

Inflation, causes of rising and falling inflation, inflation and interest rates (Fisher Equation), social costs of inflation. **Unemployment** – natural rate of unemployment, frictional and wait employment. Labour market and its interaction with production system. **Phillips curve**, the trade-off between inflation and unemployment, sacrifice ratio, role of expectations adaptive and rational (Dynamics of Inflation & Unemployment).

22 lectures

Reading:

Dornbusch, Rudiger., Stanley. Fischer and Richard Startz. *Macroeconomics* 9th edition, Ch-7- Section 7.6: Pages 162-168, Ch-6- Section 6.3: Page 120-123

Dornbusch, Rudiger., and Stanley. Fischer. *Macroeconomics* 6th edition, Ch-18- Section 18.3: Page 543-548, Ch-16- Section 16.8: Page 492-496, Ch-8- Section 8.1, 8.2: Page 214-219 (excluding Wage Stickiness- Page 219-224), Section 8.3, 8.4: Page 224-230, Ch-16- Section 16.1, 16.2, 16.3, 16.4: Page 470-480.

Mankiw, N. Gregory, *Macroeconomics* 5th edition, Worth Publishers, 2003, Ch-6- Section 6.1, 6.2, 6.3: Pages 155-166.

UNIT-IV

Open economy – flows of goods and capital, saving and investment in a small and a large open economy, exchange rates, **Mundell – Fleming model** with fixed and flexible prices small open economy with fixed and with flexible exchange rates, interest-rate differentials case of a large economy. (A Short-run Model of the Large open economy)

16 lectures

Reading:

Mankiw, N. Gregory, *Macroeconomics* 5th edition, Worth Publishers, 2003, Ch-5- Section 5.1, 5.2: Page 115-124, Section 5.3: Page 127-131, Ch-5 (Appendix- Large Open Economy): Page 145-149, Ch-12: Section 12.1, 12.2: Page 312-319, Section

12.3: Page 321-325, Section 12.6: Page 335-338, Ch-12 (Appendix- A Short-run Model of the Large open economy): Page 341-345

UNIT-V

Behavioural Foundations of Investment (Stock Demand for capital and the flow of Investment). Determinants of business fixed investment, effect of tax, determinants of residential investment and inventory investment.

Supply of money. Demand for Money – Portfolio and transactions theories of demand for real balances, interest and income elasticities of demand for real balances.

9 lectures

Reading:

Dornbusch, Rudiger., Stanley. Fischer and Richard Startz. *Macroeconomics* 9th edition, Ch-14- Section 14.1, 14.2: Page 364-384

Mankiw, N. Gregory, *Macroeconomics* 5th edition, Worth Publishers, 2003, Ch-18- Section 18.1, 18.2: Page 482-495

Laidler David E.W., Demand for Money- Theories & Evidence, Ch-6: Page 67-76.

NOTE: All case studies and boxes to be excluded.