

ST. JOSEPH'S COLLEGE FOR WOMEN (AUTONOMOUS), VISAKHAPATNAM

VII SEMESTER

Time: 5Hrs/Week

Max.Marks:100

ECONOMICS (HONOURS)

ECA-7702-(4)

ADVANCED MACRO ECONOMIC ANALYSIS

Course Objective:

This course aims to equip students with knowledge and skills to understand advanced macroeconomic models, consumption and investment theories to analyse their significance in macroeconomic issues and policy responses.

Course Learning Outcomes:

Upon completion of this course, the student shall be able to achieve the following outcomes:

CO1: Compare and contrast different macroeconomic models, consumption theories and explain their significance.

CO2: Explain various theories of investment and interrelation between inflation interest and investment.

CO3: Analyse different post-Keynesian approaches to demand for money

CO4: Critically examine the Neo-classical and Keynesian Synthesis

CO5: Evaluate the Macroeconomic Crises and related Policy Issues.

Unit-1: MacroEconomy Models and Consumption

- Micro-foundations of Macroeconomics
- Classical vs Keynesians; New-Classical Theory and New-Keynesians Theory
- Kuznets's Consumption Puzzle
- Consumption Expenditure Models: Fisher's Theory of Optimal Inter-temporal Choice, Rational Expectations and Random-walk

Unit-2: Investment

- Theories of Investment: Neo-classical Theory, Keynes Theory, Tobin's 'Q' Theory Finance
- Cost of Capital: Concept, Importance and Components
- Interrelations between Inflation, Interest Rate and Investment
- Policies affecting Investment.

Unit-3: Money and Inflation

- Post-Keynesian approaches to Demand for Money: Patinkin's Real Balance Effect, Baumol Inventory Model, Tobin's Speculative Model, Friedman's Modern Quantity Theory in brief
- Inflation-Unemployment Debate: Theory of Adaptive Expectations, Expectation-Augmented Phillip's Curve, Rational Expectation Model in brief
- Monetary Policy: Objectives, Instruments and Applications
- Lucas' Supply Function; Policy Ineffective Theorem and Lucas' Critique.

Unit-4: Neo-classical and Keynesian Synthesis: IS-LM

- Neo-classical and Keynesian views on Determination and Effects of Interest Rates
- Neo-classical and Keynesian Synthesis: IS-LM Basic Model
- Extension of IS-LM model with government sector, models with labour market and flexible prices
- Fiscal and Monetary Policy in IS-LM Model; Fiscal Policy and Crowding out Effect.

Unit-5: Macroeconomic Policy and Crises

- Macroeconomic Policy: Issues, Target Indicators and Instruments
- Important Macroeconomic Policies: Gradualism vs Shock Therapy Economic Policy, Seigniorage Policy and Barro-Ricardo Hypothesis Political Economy of Stabilisation and Adjustment
- Analysis of Economic Crises and Solutions: East Asian Crisis, Global Financial Crises, Sovereign Debt Crisis, Bank Failures, COVID-19 Crisis.

References:

1. D'souza Errol, *Macroeconomics*. Person Publication, New Delhi, 2008.
2. David Romer, *Advanced Macroeconomics. 4th edition*, McGraw-Hill Irwin, 2012.
3. Brian Snowdon and Howard R. Vane, *Modern Macroeconomics: Its Origins, Development and Current State*. Edward Elgar, UK, 2005.
4. Mankiw, N. Gregory, *Principals of Macroeconomics*. Seventh edition, Cengage eLearning, 2014.
5. Richard TFroyen, *Macroeconomics - Theories and Policies*, Pearson 2013
6. H.L. Ahuja: *Macroeconomics: Theory and Policy Advanced Analysis*, S Chand Publication, New Delhi
7. Open Source Online Materials & Videos: IGNOU, e-PG Pathasala, SWAYM, Khan Academy etc.

Suggested Activities:

Unit 1: Debate on Classical and Keynesian school of thought. Unit 2: Quiz on theories and concepts of investment

Unit 3: Poster presentation on post-

Keynesian developments on money Unit 4: Class room test on shifts in IS-LM curves

Unit 5: Seminar on different economic crises, such as the East Asian Crisis or the Global Financial Crisis