

## **ECO-HC-4026: INTERMEDIATE MACROECONOMICS - II**

### **Course Description**

This course is a sequel to Intermediate Macroeconomics I. In this course, the students are introduced to the long run dynamic issues like growth and technical progress. It also provides the micro-foundations to the various aggregative concepts used in the previous course.

### **Course Outline**

#### **1. Economic Growth**

Harrod-Domar model; Solow model; golden rule; technological progress and elements of endogenous growth.

#### **2. Microeconomic Foundations**

- a. Consumption: Keynesian consumption function; Fisher's theory of optimal intertemporal choice; life-cycle and permanent income hypotheses; rational expectations and random-walk of consumption expenditure.
- b. Investment: determinants of business fixed investment; residential investment and inventory investment.
- c. Demand for money.

#### **3. Fiscal and Monetary Policy**

Active or passive; monetary policy objectives and targets; rules versus discretion: time consistency; the government budget constraint; government debt and Ricardian equivalence.

#### **4. Schools of Macroeconomic Thoughts**

Classicals; Keynesians; New-Classicals and New-Keynesians.

### **Readings:**

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11<sup>th</sup> edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics*, Worth Publishers, 7<sup>th</sup> edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5<sup>th</sup> edition, 2009.
4. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7<sup>th</sup> edition, 2011.
5. Robert J. Gordon, *Macroeconomics*, Prentice-Hall India Limited, 2011.

