

Amrita Vishwa Vidyapeetham
Amrita School of Business
Macroeconomics for Public Policy (FI306C)

Course type: Core course
Year/Term: Year 1, Term 2
Number of credits: 3

About the course:

Macroeconomics is a branch of Economics that studies the performance, structure, and behaviour of global, national or regional economies as a whole. Macroeconomic developments are a central theme of policy debate around the globe. This course provides a better understanding of macroeconomics for students aspiring to become management professionals, think tanks, or analysts in the field of public policy. It will equip the students with a thorough understanding of the macroeconomic theory and thus enable them to understand and analyse the macroeconomic processes, relationships between aggregate economic variables, as well as the organization of the financial sector and national accounts. Throughout the course, specific public policy issues will be studied with the objective to motivate and demonstrate the pertinence of macroeconomic analysis for sound public policy making.

Goals and Learning outcomes:

The course will introduce the basic tools of macroeconomics and how to apply them to real world situations involving policy interventions. The course is designed to provide students with a framework that can be used to analyze aggregate (economy-wide) issues such as unemployment, growth rate, inflation, and monetary and fiscal policy. Hence, the goal of the course is for students to understand how to evaluate macroeconomic conditions and how policy can influence these conditions.

Upon successful completion of the course, students will be able to understand and analyze a variety of the issues relating to the current macro-economic themes, *viz.*, Indian fiscal and monetary policy, the Global financial crisis, the impact of the Global financial crisis on global economy, the role of public policy in addressing the monetary, fiscal as well as other macro-economic performance related issues of India from a comparative global perspective. Students shall improve their analytical and argumentative skills through assignments and their oral communication skills through in-class discussions.

Following are some of the questions that the students should be able to answer on completion of this course:

1. What are the fundamental macroeconomic objectives and how are the macroeconomic aggregates measured?
2. What causes business cycles? How do these cycles impact the businesses?
3. Is there anything that a government can or should do to alter the rate of economic growth?

4. How are prices controlled in an economy?
5. How do fiscal, monetary and trade policies impact the aggregate demand-supply and hence the growth and stability of economy?
6. How are the exchange rates determined? How do they impact the international transactions?

Alignment of course objectives (CO) with learning goals (LG) of Assurance of Learning

CO \ LG	Critical and integrative Thinking	Effective written and oral communication	Societal and Environmental Awareness	Ethical Reasoning	Leadership
CO1	3	2	0	1	0
CO2	3	2	0	1	0
CO3	3	2	0	1	0
CO4	3	2	0	1	0
CO5	3	2	0	1	0

Course Outline:

I. Introduction, Data and Measurement

- (1) Overview of macroeconomics
- (2) Measuring output (GDP), prices (CPI, inflation) and unemployment

II. Classical Theory: The Economy in the Long Run

- (1) National Income Accounts
 - (a) Classical model of national income
 - (b) Role of fiscal policy on allocation
 - (c) Role of the real interest rate

III. Money and Inflation

- (1) Quantity theory of money
- (2) Fisher effect
- (3) Social costs of inflation
- (4) Causes and costs of hyperinflation

IV. India as an Open Economy

- (1) Relationship between budget deficit and trade deficit
- (2) Impact of protectionist trade policy
- (3) Effect of monetary policy on the value of domestic currency

V. Unemployment and Employment Policies

- (1) Natural rate of unemployment
- (2) Minimum wage laws
- (3) Role of labor unions
- (4) Efficiency wages

VI. Economic Growth: The Economy in the Long Run

- (1) Solow growth model
- (2) Role of capital accumulation
- (3) Role of population growth
- (4) Role of technological progress
- (5) Endogenous growth

VII. Business Cycle Theory: The Economy in the Short Run

- (1) Model of aggregate demand and aggregate Supply
- (2) Role of stabilization policy
- (3) Aggregate Demand
 - (a) Goods market
 - (b) Money market
 - (c) IS-LM model
- (4) Aggregate Supply
 - (a) Natural rate hypothesis
 - (b) The Phillips curve
- (5) Role of fiscal and monetary policy

VIII. Analysis of Public Policy in Action

(1) Facets of monetary and fiscal policy in the context of globalisation [fiscal stimulus- budget deficit impacts- crowding out- national debt burden; Money- financial system- Central bank tools for monetary policy control- money multiplier- inflation and money supply- interest rate]

(2) Other macroeconomic, social/ environment sectoral policies and their interface with economic growth and development [Macro Economic and Public Policies pertaining to International trade, trade barriers, balance of payments, Exchange rate, Interest rate impact, Capital flight impact; development sectors, such as Public Health, Energy, Transport, Telecommunications, etc]

(3) Public policy analysis – This aspect of the course will focus on the main policy fields that preoccupy the policy makers at all levels of government. The intention is to better understand what the governments do involving policy making in key areas, such as macroeconomic, social, health, environment, public services, etc.

Text Books/ Reading list

1. Bradley R Schiller (2011), “The Macroeconomy Today”, 11th Edition, Tata McGraw-Hill.
2. N Gregory Mankiw(2012), “Principles of Macroeconomics”, Worth Publishers, 7th Edition.

3. William A McEachern and A Indira (2012), “Macro-ECON: A South-Asian Perspective”, Cengage Learning, New Delhi.
4. RudigerDornbusch, Stanley Fisher and Richard Startz, “Macroeconomics”. Seventh Edition. McGraw-Hill, 1998.
5. William J Baumol and Alan S Blinder, Macroeconomics: Theory and Applications, Cengage Learning.
6. Kraft, Michael E. and Scott R. Furlong. 2015. Public Policy: Politics, Analysis, and Alternatives (5th ed). Thousand Oaks, CA: CQ Press. (ISBN: 978-1483345789).
7. Guy Peters, B. and Jon Pierre (Eds.) [2006], Handbook of Public Policy, Sage Publications, London.
8. Rajeev Malhotra (2014), India Public Policy Report 2014: tackling poverty, hunger and malnutrition, Oxford University Press, New Delhi.