

|  |  |                                      |  |          |
|--|--|--------------------------------------|--|----------|
| <b>Course title:</b> Macroeconomic Environment   |  |                                      |  |          |
| <b>Course code:</b> BSI 122  | <b>No. of credits:</b> 3   | <b>L-T-P distribution:</b> 32-10-0   | <b>Learning hours:</b> 42                    |          |
| <b>Pre-requisite course code and title (if any):</b>   |  |                                      |  |          |
| <b>Department:</b> Department of Business Sustainability   |  |                                      |  |          |
| <b>Course coordinator (s):</b> Dr. Montu Bose  |  |                                      | <b>Course instructor (s):</b> Dr. Montu Bose |          |
| <b>Contact details:</b> montu.bose@teriuniversity.ac.in  |  |                                      |  |          |
| <b>Course type</b>   | <b>Core</b>  | <b>Course offered in:</b> Semester 2 |  |          |
| <b>Course description</b>  |  |                                      |  |          |
| In the present world, the economy of a country is influenced by various national and international phenomena. For instance, the inflation targeting policy by the Government of India or the global financial crisis could affect various agents of an economy. Therefore understanding the bigger picture of the economy and associated changes is crucial. In view of this, the course has been developed as a foundational course to introduce the key elements of Macroeconomic Environment. |  |                                      |  |          |
| <b>Course objectives</b>   |  |                                      |  |          |
| The course is intended to familiarize the students with the conceptual foundation of Macroeconomics and policy drives that influence income, interest rates, inflation, employment and exchange rates with explanations of the potential short-run and long-run fallouts on the economy.   |  |                                      |  |          |
| <b>Course content</b>  |  |                                      |  |          |
| <b>Module</b>  | <b>Topic</b>   | <b>L</b>                             | <b>T</b>                                     | <b>P</b> |
| 1  | Concept and Nature of Macroeconomics                             | 2                                    | 0  | 0        |
| 2  | Measuring the Macroeconomic Performance                          | 3                                    | 1  | 0        |
| 3  | Social Progress and GDP  | 2                                    | 1  | 0        |
| 4  | Theory of Income Determination                                   | 4                                    | 2  | 0        |
| 5  | Role of Government   | 4                                    | 2  | 0        |
| 6  | Money, Interest and Income                                       | 4                                    | 2  | 0        |
| 7  | Open Economy Macroeconomics & International Trade                | 4                                    | 0  | 0        |
| 8  | Business Cycle and Stabilization Policies                        | 2                                    | 1  | 0        |
| 9  | Growth and the Economy   | 3                                    | 1  | 0        |
| 10   | Aggregate Price Level, Inflation and Unemployment                | 4                                    | 0  | 0        |
|  | <b>Total</b>   | <b>32</b>                            | <b>10</b>                                    | <b>0</b> |
| <b>Evaluation criteria:</b> The grading will be based on the students' participation in the class-discussion, presentation accompanied by submission of a term paper/report and a major exam at the end of the course  |  |                                      |  |          |
|  | • Assignment/Quiz:   |                                      | 20%  |          |
|  | • Economic Policy Analysis:                                      |                                      | 20%  |          |
|  | • Term Paper and Presentation:                                   |                                      | 30%  |          |
|  | • Major Exam:  |                                      | 30%  |          |
| <b>Learning outcomes:</b> After successful completion of the course, students will be able to –  |  |                                      |  |          |
|  | • Interpret and measure the key Macroeconomic variables          |                                      |  |          |
|  | • Explain the circular flow of income                            |                                      |  |          |
|  | • Describe the roles of fiscal and monetary policy in an economy |                                      |  |          |
|  | • Understand the concept of business cycle                       |                                      |  |          |
|  | • Explain and uses of the growth models                          |                                      |  |          |

- Analyse the factors influencing the balance of payments and the exchange rate
- Explain and understand the mechanisms of international trade

**Pedagogical approach**

A combination of class-room interactions and assignments.

**Detailed Break-up of the Topics:****1. Concept and Nature of Macroeconomics**

- Concepts of Macroeconomics and Microeconomics
- Three Core Macroeconomics Concerns: Output, Unemployment and Inflation
- Macroeconomic Stability and Business Environment: The Relationship with Focus on Indian Economy

**Suggested Readings:**

Sikder (2012) Ch.1; Case, Fair and Oster (2012) Ch.5

**2. Measuring the Macroeconomic Performance**

- National Income Accounting
- Gross Domestic Product – Components, Measurement
- National Income and Social Welfare
- GDP and Underground Economy
- National Income Accounting System of India

**Suggested Readings:**

Sikder (2012) Ch.2; Case, Fair and Oster (2012) Ch.6

**3. Social Progress and GDP**

- Limitation of GDP in Measuring Social Progress
- Understanding Human, Social and Natural Capital
- HDI and Gross National Happiness
- Environmental Adjustment of National Income for Sustainability

**Suggested Readings:**

Stiglitz, Sen and Fitoussi (2009); Hueting (2013)

**4. Theory of Income Determination**

- The Keynesian Theory of Consumption
- Equilibrium Income/Output Determination
- Concept of Multiplier

- The Paradox of Thrift

**Suggested Readings:**

Sikder (2012) Ch.3; Case, Fair and Oster (2012) Ch.8

**5. Role of Government**

- Fiscal Policy: Concept and Instruments
- Government Spending Multiplier, Tax Multiplier, Balanced Budget Multiplier
- Country Experience
- Contra Cyclical Fiscal Policy
- Budgets and Budgetary Policy of Government of India

**Suggested Readings:**

Sikder (2012) Ch.3; Case, Fair and Oster (2012) Ch.9

**6. Money, Interest and Income**

- Demand for Money and the Interest Rate
- Aggregate Demand in the Goods and Money Market – IS-LM Model
- Definition and Functions of Money
- Money Supply: Concepts and Measures
- Credit Creation: Banking System
- Monetary Policy: Targets and Instruments
- Financial Sector Reform in India
- Foreign Capital Inflow, Money Supply in India
- Financial Crisis, Stabilization and Deficits

**Suggested Readings:**

Sikder (2012) Ch.4-6; Case, Fair and Oster (2012) Ch.9 & 15

**7. Open Economy Macroeconomics and International Trade**

- Concept of Open Economy
- Institutions and Regulations of Trade
- Balance of Payment
- Exchange Rate Determination
- Balance of Payment Crisis
- Fixed and Flexible Exchange Rates
- Devaluation and Purchasing Power Parity
- India's Balance of Payment Crisis

**Suggested Readings:**

Sikder (2012) Ch.7; Case, Fair and Oster (2012) Ch.19 & 20

**8. Aggregate Price Level, Inflation and Unemployment**

- Aggregate Demand and Aggregate Supply: Keynes and Classics
- Determination of Aggregate Price Level
- Interaction between the Fiscal and Monetary Policy
- Inflation: Definition and Causes
- Inflation, Budget Deficit and Money Supply
- Public Debt: Concept and Burden
- Labour Market: Definition of Unemployment and Measurement
- The Philips Curve

**Suggested Readings:**

Sikder (2012) Ch.8-9; Case, Fair and Oster (2012) Ch.12-15

**9. Business Cycle and Stabilization Policies**

- Business Cycle: Meaning and Phases
- Macroeconomic Stabilization: Classical, Keynesian and Neo-classical Perspectives

**Suggested Readings:**

Sikder (2012) Ch.11; Case, Fair and Oster (2012) Ch.1 & 16

**10. Growth and the Economy**

- The Theory of Growth
- Growth Models
- Total Factor Productivity
- Indian Economic Reform and Growth
- Dilemmas of Economic Growth

**Suggested Readings:**

Sikder (2012) Ch.10; Case, Fair and Oster (2012) Ch.7 & 17

**References:**

- Asian Development Bank (2009): Macroeconomic Management and Government Finances, OUP.
- Rakshit M (2009): Macroeconomics of Post-reform India, OUP.

- Sikdar S (2012): Principles of Macroeconomics, OUP.
- Case K.E., Fair R. and Oster S (2012): Principles of Macroeconomics, Prentice Hall, Pearson.
- Sikder S. (2013): Capital Flows and Exchange Rate Management, Oxford India short introductions, OUP, New Delhi.
- UGC E-PG Pathshala : <http://epgp.inflibnet.ac.in/>
- Stiglitz, Sen and Fitoussi (2009): <https://www.ofce.sciences-po.fr/pdf/dtravail/WP2009-33.pdf>
- Hueting (2013): <http://www.sni-hueting.info/EN/Publications/2013-02-Indispensable-EnvValues.pdf>
- National Income & Environmental Accounting:  
[http://www.ase.tufts.edu/gdae/Pubs/te/ENRE/3/Ch8\\_Income\\_Accounting.pdf](http://www.ase.tufts.edu/gdae/Pubs/te/ENRE/3/Ch8_Income_Accounting.pdf)

**Websites:**

- Reserve Bank of India: [www.rbi.org.in](http://www.rbi.org.in)
- Budget and Economic Survey: [www.indiabudget.nic.in](http://www.indiabudget.nic.in)
- MOSPI: [www.mospi.nic.in](http://www.mospi.nic.in)
- CMIE: [www.cmie.com](http://www.cmie.com)
- Economic and Political Weekly: <http://www.epw.in/>

**Additional information (if any)**

**Student responsibilities**

**Course Reviewers**

Dr. Seema Sangita  
TU, New Delhi

Dr. Ananya Ghosh Dastidar  
University of Delhi, New Delhi