

<b>ECON 7004</b>	<b>Macroeconomics</b>	L	T	P	C
<b>Version 1.0</b>		4	0	0	4
<b>Pre-requisites/Exposure</b>	Graduation				
<b>Co-requisites</b>	Basic concepts of Economics				

**Course Objectives:** The objectives of this course are:

1. The purpose of this course is to help students learn the fundamentals of economics and they can apply these concepts to their lives and to the world in which they live.
2. Economic theory is useful and interesting only if it can be applied to understanding actual events in energy sector and policies. Therefore this course gives greater understanding about economic news and issues of energy around the world.
3. It helps in decision making in order to achieve desired economic goals. It enhances the capability of participants to understand the prevailing economic and business policy in totality and its impact on the energy sector.
4. It improves the ability of the students to apply economic concepts to complex business realities as well as support them to forecast in the energy business.

**Course Outcomes:**

Upon successful completion of the course a student will be able to:

CO1. **Explain** the **concepts** of Macroeconomics and its **interrelations** with Microeconomics.

CO2. **Associate** the current economic phenomenon with existing theory and put their **views** on contemporary economic issues.

CO3. **Apply** the principle of Macroeconomics in **explaining the behaviour** of Macroeconomic variables at national as well as global level.

CO4. **Extend** the concepts of Macroeconomics in **unfolding the dynamics** of energy sectors.

**Course Content:**

**6 hrs.**

**Module 1: Introduction to Macroeconomics and National Income Accounting**

Meaning, Nature & Scope and importance of Macro Economics – Interdependence between Microeconomics & Macroeconomics, Various Concepts and Measurements of Aggregate Income – Income, Expenditure and the Circular Flow – Rules for Computing GDP – Real vs. Nominal GDP – Measuring the Cost of Living (consumer and wholesale price indices) – Measuring the Unemployment Rate – Unemployment, GDP and the Okun’s Law.

6 hrs.

**Module 2: Product Market Analysis: Theory of National Income Determination**

Keynesian Theory of Income Determination: A simple Economic Model, Income Determination in closed economy model: A model with Government Sector, Income Determination in open Economy model: A model with the Foreign Sector.

7.5 hrs.

**Module 3: Theories of Consumption and Investment**

Concept of Consumption: Average and Marginal propensity to consume The Psychological Law of Consumption – Kuznets’s Consumption Puzzle – Permanent Income Hypothesis – Life Cycle Hypothesis, Concept of Investment, The Neoclassical Theory of Investment, The Accelerator Theory of Investment, Theory of Multiplier. Aggregate Demand (AD)-Aggregate Supply(AS) Model (With Variable Price Level).

6 hrs.

**Module 4: Money Market Analysis: Theory of Money and Interest**

Money Definition, Kinds and its Function, Supply of Money and its Determinants, Demand for Money and Keynes’s liquidity preference theory of Interest, Post Keynesian theories of Demand for Money

12 hrs.

**Module 5: Integration of Product and Money Market Analysis The IS-LM Model**

Simple Keynesian Model; IS-LM model in two sector economy : The interaction of Real and Monetary sectors of the economy; Fiscal and Monetary Policy analysis in an IS-LM model; IS-LM model with government sector and with the Foreign Sector; Fiscal policy and crowding out; The role and relative effectiveness of fiscal and monetary policy.

6 hrs.

**Module 6: Inflation and Unemployment**

Inflation: Meaning, Measures and Effects. Theories of inflation and control measure, Meaning, Measurement and the kinds of Unemployment, Inflation and the rate of Unemployment–The Phillip’s Relationship – Theoretical Underpinnings of Phillip’s Curve – Natural Rate Hypothesis and Rational Expectation Theory.

4.5 hrs.

**Module 7: Economic Growth and Business Cycle and Macroeconomic Policy**

Theories of Economic Growth, Phases and Features of Business Cycles, Theories of Business Cycles, Economic Stabilization and Role of Fiscal and Monetary Policy.

**Text Books:**

Sl. No	Title	Author	Publisher
1.	Macroeconomics Theory and Application	G S Gupta	McGraw-Hill Education
2.	Macroeconomic Analysis	Edward Shapiro	Galgotia Publications

### Reference Books:

- a) Michl, T. R. (2015). *Macroeconomic Theory: A Short Course: A Short Course*. Routledge.
- Levacic, R. (1982). *Macroeconomics: an introduction to Keynesian-neoclassical controversies* (No. 339.2 L4.). *Macroeconomics: Dornbusch, Fischer, and Startz* (Ninth Edition), 2004. Tata McGraw-Hill
- b) Blanchard, O., & Giavazzi, F. (2003). Macroeconomic effects of regulation and deregulation in goods and labor markets. *The Quarterly Journal of Economics*, 118(3), 879-907.
- Romer D., 1996, *Advanced Macroeconomics*, McGraw-Hill International.
- c) Obstfeld, M., Rogoff, K. S., & Wren-lewis, S. (1996). *Foundations of international macroeconomics* (Vol. 30). Cambridge, MA: MIT press.
- Krugman, P.R., and M. Obstfeld, 2003, *International Economics: Theory and Policy*, 6th edition, India: Pearson Education.

### **Indian Authors-**

- a) Ahuja, H. L., & Chand, S. (2007). *Macroeconomic theory & policy: Advance analysis*. *Thand, New Delhi*.
- b) Dwivedi, D. N. (2005). *Macroeconomics: theory and policy*. Tata McGraw-Hill Education.

### **Modes of Evaluation: Quiz/Assignment/ presentation/ extempore/ Written Examination**

#### **Examination Scheme:**

Components	Class Test	Assignment	Presentation	ESE
Weightage (%)	20	20	10	50

### **Relationship between the Course Outcomes (COs) and Program Outcomes (POs)**

Mapping between COs and POs		
	Course Outcomes (COs)	Mapped Programme Outcomes
CO1	<b>Explain the concepts</b> of Macroeconomics and its <b>interrelations</b> with Microeconomics.	PSO 9, PSO 10, PSO 11, PSO 12, PSO 14
CO2	<b>Associate</b> the current economic phenomenon with existing theory and put their <b>views</b> on contemporary economic issues.	PO 3, PO 8, PSO 9, PSO 10, PSO 11, PSO 12, PSO 14
CO3	<b>Apply</b> the principle of Macroeconomics in explaining the behaviour of Macroeconomic variables at national as well as global level.	PO 2, PO 3, PO 8, PSO 9, PSO 10, PSO 11, PSO 12, PSO 14
CO4	<b>Extend</b> the concepts of Macroeconomics in unfolding the dynamics of energy sectors.	PSO 9, PSO 10, PSO 11, PSO 12, PSO 13, PSO 14

### Program Outcome / Course Outcome mapping

<b>Course Outcomes</b>	<b>CO 1</b>	<b>CO 2</b>	<b>CO 3</b>	<b>CO 4</b>
<b>PO 1</b>	3	3	3	2
<b>PO 2</b>	3	3	3	2
<b>PO 3</b>	3	3	3	2
<b>PO 4</b>	3	1	1	3
<b>PO 5</b>	2	2	1	3
<b>PO 6</b>	1	1	1	1
<b>PO 7</b>	3	3	1	2
<b>PO 8</b>	3	3	3	3
<b>PSO 9</b>	3	3	3	1
<b>PSO 10</b>	3	3	3	2
<b>PSO 11</b>	3	3	3	2
<b>PSO 12</b>	1	1	1	3
<b>PSO 13</b>	3	1	3	3
<b>PSO 14</b>	3	3	3	3

Course Code	Course Title	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8	PSO 9	PSO 10	PSO 11	PSO12	PSO 13	PS O1 4
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		Students will be able to develop and evaluate alternate managerial decisions and identify optimal solutions	Students will demonstrate effective application capabilities of their conceptual understanding to the real world business situations	Students will be able to exhibit effective decision making skills, employing analytical and critical thinking ability	Students will demonstrate effective oral and written communication skills in the professional context	Students will be able to work effectively in teams and demonstrate team building capabilities	Students will exhibit leadership and networking skills while handling business situations	Students will demonstrate sensitivity towards ethical and moral issues and have ability to address them in the course of business	Students will demonstrate employability traits in line with the changing dynamics of the industry	Students will demonstrate strong conceptual knowledge in the functional area of management as well as Energy Economics domain	Students will demonstrate effective understanding of relevant functional areas of management and their application in Energy Economics	Students will demonstrate analytical skills in identification and resolution of business problems pertaining to Energy Economics	Students will exhibit the ability to integrate functional areas of management with domain perspective for the purpose of planning, implementation & control of Energy Economics	Students will have global perspective towards business situations in the area of Energy Economics	Students will exhibit deployable skills pertinent to the Energy Economics

**1=weakly mapped**

**2= moderately mapped**

**3=strongly mapped**

**Model Question Paper**

No: -----



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

End Semester Examination, December 2017

**Program/course:** MA(EE)  
**Subject:** Macroeconomics  
**Course Code :** ECON 7004  
**No. of page/s:** 4

**Semester – I**  
**Max. Marks : 100**  
**Duration : 3 Hrs**

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**Section-A**

**All the questions are compulsory in this section.**

**[10\*2=20]**

1. Assume you bought a new car, bought an old house and purchased some national saving certificates (NSCs). Which of the following statement is true?
  - (a) Investment and government consumption expenditure increased since you bought a used house and NSCs.
  - (b) Consumption and investment increased since you bought a used house and NSCs.
  - (c) Investment increased since you bought a new car.
  - (d) Consumption increased since you bought a new car.
2. Price Indices are imperfect measure of inflation because they
  - (a) Ignore new products.
  - (b) Quality improvements.
  - (c) Use sample data.
  - (d) All of the above.
3. A model is complete when the number of independent equations equals the number of
  - (a) Endogeneous variables.
  - (b) Pre-determined variable.
  - (c) Exogeneous variables.
  - (d) Policy variables.
4. The IS curve shifts to the right if
  - (a) Money supply increases.
  - (b) Proportional tax rate falls.
  - (c) Transfer payments decrease.
  - (d) Investors become pessimistic.

5. The LM curve is flatter the larger is the
  - (a) Government Expenditure.
  - (b) Money Supply.
  - (c) Interest sensitiveness of money demand.
  - (d) Price level.
6. The retail inflation is a better measure of the cost of living than the wholesale inflation. *True/False*
7. The fiscal policy is more powerful in an open economy than in a closed economy. *True/False*
8. Demand for money varies directly with \_\_\_\_\_ and inversely with \_\_\_\_\_.
9. The trade deficit is bad if it happens due to \_\_\_\_\_ and is not likely to be bad if it happens due to \_\_\_\_\_.
10. Under the situation of liquidity trap, the monetary policy is \_\_\_\_\_ and the fiscal policy is \_\_\_\_\_ with respect to real GDP.

**Section-B**

**[4\*5=20]**

**Attempt all the questions.**

11. If output increases, so will investment; if investment increases, so will output. Explain.
12. The supply of money is a monetary policy instruments. Examine the validity of this investment.
13. While the long-run aggregate supply curve is vertical at the potential level of output, the short-run aggregate supply curve is upward sloping with the increasing slope. Why?
14. An inflationary process may begin on the supply side but it will not continue for long unless there is increase in demand. Discuss.

**Section-C**

**[3\*10=30]**

**Answer all the questions.**

15. According to the life cycle hypothesis, while the young tend to borrow, working people save and retirees live off their savings. If so, what impact will the changing age structure towards older people of the Indian population have on aggregate saving rate in the country? What will the impact be of the increase in the retirement age?

16. The major macro aggregates for an economy are given as follows:

Consumption (C) =  $60 + 0.8Y_d$ , Investment (I) =  $100 - 5i$ ,

Interest rate (%) = 6, Government expenditure (G) = 76

Lump-sum Tax (T) = 15, Transfer Payments (TR) = 60

Exports (X) = 70, Imports (M) =  $12 + 0.2Y$

- (a) Derive the IS curve using the above data.
  - (b) Calculate equilibrium level of income.
  - (c) Calculate foreign trade multiplier.
17. What policy instruments are available with the government to achieve full employment, price stability and economic growth? Explain them briefly.

**Section-D**  
**Attempt any two questions.**

**[2\*15=30]**

18. Explain the relationship between money supply and price level as explained by Keynes. Explain how he proved that there is no direct and proportionate increase in general price level as a result of increase in money supply.
19. Analyse the impact of monetary and fiscal policy under fixed exchange rate regime considering Mundell-Fleming model.
20. What are rational expectations? How is monetary policy neutral in the rational expectations hypothesis?