

Course Title: Macroeconomics-I(Session Fall 2019-20)

Duration:20 Sessions of 2 hours each

Instructor: Dr. Syed Ammad Ali

Aims and Objectives

This course is designed to impart the basic knowledge of contemporary macroeconomics through advance text of macroeconomics. The course is divided into two segments; in first part we discuss the elementary or undergraduate level concepts of macroeconomics, while in the later part we will discuss an introduction of advance macroeconomics.

The objective of this course is to create understanding of macroeconomics for those who do not have economics background and a revision for those who have studied in their graduation programs. Moreover, this course will also provide an introduction of the advance macroeconomics theory.

Prerequisites of the Course:

The students are advised to have some understanding of derivatives (Partial and Total), matrix algebra and log operations.

Course Contents

National Income Accounts

- Measurement of National Income
 - (Chapter 2 of Froyen and Bernanke)

Classical Macroeconomics(I)

- Classical Revolution
- Determination of Output and Employment
 - (Chapter 3 of Froyen)

Classical Macroeconomics (II): Money, Prices, and Interest

- The Quantity Theory of Money , The Classical Theory of the Interest Rate
 - (Chapter 4 of Froyen) & (Section 7.3 The Demand for Money of Bernanke)

The Keynesian System(I)

- Role of Aggregate Demand, The Simple Keynesian Model: Conditions for Equilibrium Output
 - (Chapter 5 of Froyen)

The Keynesian System (II): Money, Interest, and Income

- Money in the Keynesian System
- The *IS-LM* Model
 - (Chapter 6 of Froyen) & (Chapter 9 of Bernanke)

The Keynesian System (III): Policy Effects in the IS–LM Model

- Factors That Affect Equilibrium Income and the Interest Rate
- The Relative Effectiveness of Monetary and Fiscal Policy
 - (Chapter 7 of Froyen) & (Chapter 10 of Bernanke)

The Keynesian System (IV): Aggregate Supply and Demand

- The Keynesian Aggregate Demand Schedule
- The Keynesian Aggregate Demand Schedule Combined with the Classical Theory of Aggregate Supply
- A Contractual View of the Labor Market
- Labor Supply and Variability in the Money Wage
- The Effects of Shifts in the Aggregate Supply Schedule
 - (Chapter 8 of Froyen)

Midterm Exam

Part-2: MACROECONOMIC THEORIES AFTER KEYNES

The Monetarist

- The Monetarist Counterrevolution
- The Reformulation of the Quantity Theory of Money
- Fiscal and Monetary Policy
- The Monetarist View of the Great Depression
 - (Chapter 9 of Froyen))

Output, Inflation, and Unemployment: Alternative Views

- Monetary Policy, Output, and Inflation: Friedman's Monetarist View
- A Keynesian View of the Output–Inflation Trade-Off
 - (Chapter 4 of Froyen) & (Chapter 12 of Bernanke)

New Classical Economics

- A Broader View of the New Classical Position
- The Keynesian Countercritique
 - (Chapter 11 of Froyen)

Part-3 OPEN ECONOMY MACROECONOMICS

Exchange Rates and the International Monetary System

- (Chapter 14 of Froyen)

Monetary and Fiscal Policy in the Open Economy

- The Mundell–Fleming Model
 - (Chapter 15 of Froyen)

Part 4- Dynamic Macroeconomics

Dynamic Aggregate Demand and Supply Models

- Structure Equations Models

- Stability Analysis/Convergence
- Full Equilibrium Analysis
 - o (Chapter 2 of Scarth)

Output and Employment (Keynes and the Classics)

- Dynamic Labour market Analysis
 - o (Chapter 3 of Scarth)

Expectations and the Desirability of Wage and Price Flexibility

- Adaptive Expectation
- Cagan's Convergence Requirement
 - o (Chapter 4 of Scarth)

Examination:

Surprise Quizzes 10 Marks

Assignment 20 Marks

Mid Term Examination..... 30 Marks

Final Examination.....40 Marks

Class Timing:

Monday and Wednesday 6 PM to 8 PM (Attendance will be taken at sharp 6, in case of short of attendance students will not be allowed to sit in the exam, no excuse will be accepted)

Main Text Books:

Macroeconomics: Theories and Policies by Richard T. Froyen

Macroeconomics: An introduction to Advance Methods By William M. Scarth

Reference Books:

Macroeconomics by N. Gregory Mankiw

Macroeconomics: Abel and Bernanke (**prefer for Numerical Exercise**)