

Course Code: ECON-323

Title: Advanced Macroeconomics

Credit Hours: 03

Prerequisite: Intermediate Macroeconomics

Course Objectives:

The course is designed for senior level undergraduate students. The objective is to enhance their analytical skills and to clarify further their macroeconomic concepts with quantitative tools. They must have a strong theoretical foundation to understand the real problems of the economy with particular emphasis on inflation, unemployment, and instability, to which the developing countries are confronted at present.

Learning Outcomes:

After the completion of this course, students would be able to:

- Develop the foundation of modern macroeconomic theory in the light of different schools of thought
- Analyze the working of the economy in the perspective of relevant policy issues
- Apply key concepts of modern macroeconomic in their own research

Course Contents:

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| Aggregate Supply and the Labor Market | The aggregate production function, Demand for Labor in the short run, Labor market and its Equilibrium: Rigidity versus flexibility of nominal wage rate, The flexible and sticky wage models, the imperfect information model, the short-run aggregate supply function, The concepts of full-employment and underemployment, Supply shocks and stabilization. |
| The Supply Side Economics | Derivation of Aggregate Supply under the Classical and Keynesian assumptions, Interaction of aggregate demand and supply and price determination, Scarcity of raw material and energy, The supply side disturbances leading to stagflation, The problems of developing countries: shortage of supply vs. deficiency of demand, The scope for structural changes in developing economies. |
| Inflation and Unemployment | The relationship between inflation and unemployment, Phillips curve in the short-run and long-run, The expectation-augmented Phillips Curve, The Perfect Foresight and adjustment, Remedial measures to combat inflation and unemployment. Types, causes and measurement of inflation, the structural and monetary |

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| | approaches to inflation, Global inflation and its impacts on developing economies, Transitory and structural unemployment, the problem of unemployment with special reference to Pakistan, |
| The Open Economy Macroeconomics | The IS-LM-FB Model, The case of a small open economy with special reference to developing countries, The relative effectiveness of fiscal and monetary policies under the fixed and floating exchange rate regimes, The managed exchange rate systems, Determinants of Exchange rates, Devaluation and its impacts for developing countries, Problem of stabilization in global framework. |
| Macroeconomic Policy Debate | Policy Actions: Active or Passive, Ignorance, Expectations and the Lucas Critique, Conduct of Policy: Formula/Rule vs. Discretion, Distrust of Policy makers and Political Process, Macroeconomics Policy: the Fiscal, Monetary and Commercial policies, Policy formulation and implementation in a world of uncertainty, Seignorage and Inflation: Monetarists vs. Activists. |
| Growth and Business Cycles | The accumulation of capital, Acceleration principle and the concept of steady state growth path, The steady state conditions, The basic Neoclassical (Solow) growth model, Golden rule for consumption and investment (capital accumulation), The role of technical progress in growth, Introduction to the theory of Real Business Cycles: Labor market, Technology shocks, Household Behavior, the persistence of output Fluctuations. |

Teaching Methodology:

- To deliver lectures on topics included in course outline
- To require each student to solve independent assignments on topics included in the course.

Evaluation Criteria:

| Evaluation Method | Total Percentage |
|--------------------------|-------------------------|
| Quizzes/Assignments | 25% |
| Mid-Term Exam | 35% |
| Final-Term Exam | 40% |

Recommended Books:

- Branson, William – Macroeconomics: Theory and Policy – Latest Edition, Harper and Row, New York.
- Froyen, R. Macroeconomics: Theories and Policies–Latest Edition. Prentice Hall
- Gupta, G. S. Macroeconomics: Theory and Applications- Latest Edition, Tata McGraw Hill Publishing Company, New Delhi
- Scarth, W. M. Macroeconomics: An Introduction to Advanced Methods-Latest Edition
- Dryden Press: Harcourt Brace & Company.
- Romer, D. Advanced Macroeconomics –Latest Edition. McGraw Hills, New York.
- Mankiw, Gregory- Macroeconomics- Latest Edition. Worth Publisher, New York.