

Course Code: ECON-206

Title: Intermediate Macroeconomics

Credit Hours: 03

Prerequisite: Principles of Macroeconomics

Course Objectives:

This course is built on the macroeconomic concepts developed in the course on Principles of Macroeconomics. It will enable students to use various macroeconomic concepts to

study the dynamics of an economy at a more advanced level. Students will be able to think critically and to formulate their own perspective on various macroeconomic issues

Learning Outcomes:

This course would help the students to:

- develop a consistent and logical method of identifying economic variables.
- comprehend the concepts related to macro variables and their relationship with each other.
- to resolve macroeconomic problems them in both a closed and open economy through alternative policies.

Course Contents:

Introduction	The Keynesian revolution and growth of Macroeconomics, Actual vs. Potential Output, Analytical approach to macroeconomics, Okun’s Law and unemployment, Price Indices and Inflation, the simple macroeconomic models, Lead and Lagged variables, Exogenous and Endogenous variables and their functional relationships, Introduction to the Classical and Keynesian Schools of Thought.
Theories of Consumption	Consumption as a function of income, Theories of Consumption: The Absolute income, Relative income, Permanent income and Life-cycle income hypotheses, Kuznet’s findings and Reconciliation of Marginal and Average Propensity to Consume, Random Walk hypothesis.
Saving and Investment	Definition of Investment, Real and Financial investment, Autonomous and Induced investment, Determinants of investment: The Present Value, IRR and benefit-cost ratio Criteria, Investment Demand and capital formation, Tobin’s Q-Theory, Lags in Investment Demand, Volatility of Investment, Investment by the Public sector, Equilibrium in the goods market, Derivation of IS curve (graphic), Factors affecting the position and slope of the IS curve, The Saving-Investment gap in developing countries.
The Demand for and Supply of Money	The demand for money, The Quantity Theory of money, The Liquidity Preference/ Portfolio Balance Approach, the supply of money: M1, M2, M3 concepts, the money supply multiplier and the role of banking system, Instruments of credit control and the role of central bank, Equilibrium of the money market, Derivation of LM Curve (graphic), Factors affecting the position and slope of the LM curve.
Determination of National Income	The Keynesian model for a simple two-sector economy, inflationary and deflationary gaps, the concepts of multiplier, Interaction of the IS and LM functions and derivation of the

	aggregate demand function, The impact of changes in public expenditure, taxation and money supply on aggregate demand and the rate of interest.
Aggregate Supply and the Labour Market	The aggregate production function, Demand for Labor in the short run, Labor market and its Equilibrium: 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, Interaction of aggregate demand and supply and price determination.
Inflation and Unemployment	Types, causes and measurement of inflation, the structural and monetary 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 relationship between inflation and unemployment, Phillips curve in the short-run and long-run, Remedial measures to combat inflation and unemployment.

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	
Quizzes/Assignments	
Mid-Term Exam	
Final-Term Exam	

Recommended Books:

- Shapiro, Edward – Macroeconomic Analysis- Latest Edition–Harcourt Brace Inc.
- Froyen, Richard–Macroeconomics: Theories and Policies–Latest Edition–Macmillan
- Mankiw, Gregory N.- Macroeconomics –Latest Edition, Worth Publishers, NY.
- Blanchard, Oliver – Macroeconomics –Latest Edition - Prentice Hall International.
- Dornbusch & Fisher – Macroeconomics- Latest Edition- McGraw Hill Inc.