

**Forman Christian College (A Chartered University)**  
**Department of Economics**

<b>Course Name:</b> <span style="float: right;"><b>MACROECONOMIC ANALYSIS</b></span>		<b>Spring 2023</b>
<b>Course Code: 422</b>	<b>Course Type: (Economics Major Elective Course)</b>	<b>Course Credits: 03</b>
<b>Class Timings and Venue:</b> Monday, Wednesday, Friday: <b>16:00- 16:50 pm</b> Room # E: 204	<b>Section: B</b>	<b>Student Meeting Hours/ Office Hours:</b> 14:00 – 15:00 hrs. (M, T, W, T, F)
<b>Instructor Name: Dr. Muhammad Ali Bhatti</b>		
<p><b>A Note from the Instructor:</b>  <i>Dear students, Macroeconomics is a rapidly evolving field of economics, and I have a broad experience of teaching it from 100 to 700 levels. I hope you will learn a lot in this course.</i></p>		
<p>Email: <a href="mailto:alibhatti@fccollege.edu.pk">alibhatti@fccollege.edu.pk</a></p> <p>Contact: 042-99231581-88 Ext. 365 Office No: E207</p> <p><b>Guidelines for contacting instructor:</b> Please check your email and Moodle accounts regularly. You can also contact me via WhatsApp/ email.</p>		
<p><b>Course Description:</b>  Pre-requisites: ECON 202  Mode of Instruction: Class room lectures  This advanced-level course of macroeconomics provides a rigorous framework for understanding modern macroeconomics. It covers long-run economic growth; short-run output and employment determination, areas of consensus and controversy among various schools, fiscal &amp; monetary policies implications under classical, real business cycle and Keynesian school of thoughts; Monetary and fiscal policies policy in the open economy; Optimal monetary policy, competing strategies: targeting monetary aggregates or interest rates, debt sustainability, government debt and Ricardian equivalence, Consumption Investment</p>		
<p><b>Program Objectives Addressed</b></p> <ol style="list-style-type: none"> <li>A. Demonstrate understanding of microeconomics, macroeconomics and econometrics</li> <li>B. Perform quantitative research skills to critically analyze economic issues</li> <li>C. Apply economic theory in a wide range of real-life problems and suggest policy changes</li> <li>D. Effectively communicate economic ideas in oral and written form</li> <li>E. Use their knowledge and abilities for the welfare of the people</li> <li>F. Practice ethical and moral values in their professional and personal lives</li> <li>G. Describe careers that apply economics in public, private, and international institutions.</li> </ol>		

### **Course Objectives**

- analyze major controversies among the macroeconomists
- present and analyze basic long-run economic growth models
- apply and test important macroeconomic theories

### **Learning Outcomes**

After successful completion of the module, the student will be able to:

- Differentiate between the classical and Keynesian approaches to macroeconomics.
- Analyze the impact of various factors on employment and output
- Analyze the factors that affect consumption, saving, and investment decisions
- Analyze the relationship between the government budget deficit and the current account deficit.
- Evaluate government policies for raising long-run living standards.
- Use an aggregate demand and aggregate supply to describe the impact on business cycles of various shocks
- Describe the conditions necessary for general equilibrium using the IS-LM model.
- Analyze the effects of monetary and fiscal policy in the classical and Keynesian models.
- Use the relationship between exchange rates and international trade to develop an open economy IS-LM model.
- Evaluate the strengths and weaknesses of different types of exchange rate system
- Discuss the economic effects of government deficits and debt.

### **Expectations from the Students**

- Students are expected to read the lecture soon after the class.
- Students are expected to be regular and punctual. In case they get late, attendance shall not be marked.
- The students must attend at least 80% of the classes to qualify for the mid and final exams.
- No exam or quiz shall be retaken if a student misses an exam or quiz.
- Students must maintain discipline in the class.
- Students must switch their cell phones off during the class.
- Students are expected to submit their assignments on time. Common excuses like the pressure of other exams, sickness, or family obligations will not be accepted. Late submission will be penalized at the rate of a 25 percent deduction of marks per day. So, there is no need to submit an assignment after the fourth day of the due date. If someone cannot come on the due date, he should submit the due assignment in advance.
- Students are expected to observe academic integrity and be familiar with the FCC rules regarding unfair means in exams and preparation of assigned work. Unfair means cases will be strictly dealt with according to the FCC policy in this regard.

### **Calendar of Activities**

Wk	Lecture No.	Course Objectives/ <u>Student Learning Outcomes</u> (SLOs)	Topic/ Title	Instructional Material ( <u>OERs</u> )
1	1		What Macroeconomics is About What Macroeconomists Do	Abel & Bernanke: Chapter 1
	2	To make students understand the reasons for disagreement	Why Macroeconomists Disagree  Some Useful Analytical Tools	
2	3	The students would become able to comprehend and calculate TFP	Productivity, Output, and Employment] The production function, supply shocks, demand, and supply of labor	Abel & Bernanke: Chapter 3
	4	The students will be able to analyze the impact of shocks on nominal and real wages. Students will be able to analyze the factors that weaken Okun's Law.	Labor market equilibrium, unemployment, relating output and unemployment: Okun's Law	Abel & Bernanke: Chapter 3
3	5	Students will analyze the factors determining the dynamics of AD	Consumption, Saving, and investment A formal model of consumption and saving	[Abel & Bernanke: Chapter 4, Romer Chapter 7 & 8]
	6		A formal model of Investment, Goods market equilibrium	
4	7	Understanding the steady state and its dynamics.	Growth Theories Some basic facts about long-run economic growth, Growth accounting	[Abel & Bernanke: Chapter 6, Romer: Chapter 1 & 3]
	8		Solow growth Model, fundamental determinants of long run living standards	
	9	Will be able to analyze the role of research and development in economic	Endogenous growth theory, Government policies to raise long-run living standards	[Abel & Bernanke: Chapter 8]

5		growth		
	10	Understanding and then applying the technique to identifying the dates for Pakistan's Business Cycle.	Business Cycles: What Is a Business Cycle? The Historical Record, The Cyclical Behavior of Economic Variables	
6	11	Analyzing the behavior of leading indicators.	Direction and Timing, Leading Indicators; Unemployment, Average Labor Productivity, Real Wage	[Abel & Bernanke: Chapter 8]
	12		Money Growth and Inflation, Financial Variables, International Aspects of the Business Cycle	
7	13	Familiarizing the students with the general equilibrium model.	The IS-LM/AD-AS Model Introduction, structural equations, General equilibrium in the complete IS-LM Model	[Abel & Bernanke: Chapter 9]
	14		Price adjustment, Classical versus Keynesian versions, equilibrium in AD-AS model	
8	15	Students will be able to understand the genesis of the business cycle according to different schools of thought.	Business Cycles in the Classical Model The Real Business Cycle Theory, Fiscal Policy Shocks in the Classical Model, Unemployment in the Classical Model	[Abel & Bernanke: Chapter 10, Romer Chapter 4]
	16	Synthesizing the classical and neoclassical policy prescriptions.	Household Production, Money in the Classical Model, Monetary Policy and the Economy, Monetary Non-neutrality and Reverse Causation, Monetary Policy and the Misperceptions Theory, Rational Expectations, and the Role of Monetary Policy	
9	17		Keynesianism: The Macroeconomics of Wage and Price Rigidity Real-Wage Rigidity, The Efficiency Wage Model, Wage Determination in the Efficiency Wage Model	[Abel & Bernanke: Chapter 11]
	18	The students will comprehend impact of monetary and fiscal policy in the Keynesian setting.	Employment and Unemployment in the Efficiency Wage Model, Sources of Price Stickiness: Monopolistic Competition and Menu Costs Monetary and Fiscal Policy in the Keynesian Model	
	19		Unemployment and Inflation Is there a trade-off between unemployment and	[Abel & Bernanke: Chapter 12 & 13]

10			inflation? cost of unemployment and inflation e	
	20	Understanding dynamics of exchange rate.	Exchange Rates, Business Cycles, and Macroeconomic Policy in the Open Economy Nominal Exchange Rates, Real Exchange Rates, Purchasing Power Parity and Net Exports,	
11	21	Evaluating the theories of exchange rate determination	Macroeconomic Determinants of the Exchange rate, The IS-LM Model for an Open Economy	[Abel & Bernanke: Chapter 12 & 13]
	22		The Open-Economy IS curve, Factors that shift the Open-Economy IS curve	
12	23	Analyzing the costs and benefits of exchange rate regimes an open economy perspective	The International Transmission of Business Cycles, Macroeconomic policy in an Open Economy with flexible and fixed Exchange Rates	[Abel & Bernanke: Chapter 12, 13, & 14]
	24	The students will analyze and apply the debate of rule vs discretion with respect to a developing country, particularly Pakistan.	Monetary Policy Principles of Money Supply, The Conduct of Monetary Policy: Rules Versus Discretion	
13	25	Students will analyze the impacts of fiscal tools on the macroeconomic situation.	Government Spending and Its Financing Government Spending, Taxes, and the Macroeconomy, Fiscal Policy and Aggregate Demand	[Abel & Bernanke: Chapter 15]
	26	The students will understand the impact of debt on future generations while applying it on Pakistan.	The Burden of the Government Debt on Future Generations, Budget Deficits, and National Saving	[Abel & Bernanke: Chapter 15]
14	27	The application of Ricardian Equivalence to Pakistan	Ricardian Equivalence, Departures from Ricardian Equivalence, Deficits, and Inflation	[Abel & Bernanke: Chapter 15]
	28		<b>Revision</b>	

**Students are required to attend study sessions, and go through study materials  
Recommended Textbook**

*Macroeconomics, 7th Edition, by Andrew B. Abel Ben S. Bernanke*

**Supplementary Text Books:**

- Macroeconomics: Theories and policies, 10th Edition, Richard T. Froyen
- Advanced Macroeconomics, 5th Edition by David Romer
- Foundations of Modern Macroeconomics, 3<sup>rd</sup> Edition, by Ben J. Heijdra

**Teaching-Learning Methodology**

- Lectures
- Example-oriented approach
- Homework / Quizzes

**Assessment**

Final Grade will be determined as follows:

- Assignments, quizzes & class participation 35%
- Midterm Exam. 30%
- Final Exam. 35%

**Attendance Policy:**

-Student are advised to *follow University's attendance policy*

**Classroom Participation:**

- **Class Participation 5%**

Class participation shall be based; both on the presence and performance in class activities  
Not using cell phones in the class room.

**Grade Determination & Course Assessment as per FCC Policy:**

- *Relative Grading Policy for Econ-422*

*The late submission of the assignments may be penalized by deducting one mark per day.*

**Grading Legend**

Below is the grading legend of FCCU (published in all catalogs and available on the FCCU website) as approved by the Academic Council and applies for Fall as well

Letter Grade	GPA	%	Letter Grade	GPA	%
A	4.0	93% - 100%	A-	3.7	90% - 92%
B+	3.3	87% - 89%	B	3.0	83% - 86%
B-	2.7	80% - 82%	C+	2.3	77% - 79%
C	2.0	73% - 76%	C-	1.7	70% - 72%
D+	1.3	67% - 69%	D	1.0	60% - 66%
F	0.0	Bellow 60%	W	Officially Withdrawal	

**Student Conduct & Other Issues:**

- *Students are expected to not to you cell phones during class room lecture sessions. Pleas be civil, respectful, and supportive.*

**Changes to the Syllabus:**

This syllabus was designed to convey course information and requirements as accurately as possible. It is important to note however that it **may** be subject to change during the course depending on the needs of the class and other situational factors. Such changes would be for your benefit and you will be notified of them as soon as possible.

**Student Support Services**

[Student Counseling Services](#)

[Writing Center](#)

[Mercy Health Center](#)

**Other Useful Policy Documents:**

[Sexual Harassment Policy](#)

[Anti-Corruption Policy](#)

[Academic integrity](#)

[Plagiarism Policy](#)

[Academic Calendar](#)

*I expect that you will strictly follow the core values of FCCU and put your entire efforts to learn as per the course requirements, attend classes, read the textbook(s)/other assigned reading material and do the assignments in the stipulated time period.*