



**Faculty of Business and Economics  
Department of Economics**

**MSc/MA PROGRAM (2012/2013)**

Course	Advance Macroeconomics I & II (Econ 592, 1 <sup>st</sup> Semester and Econ 692 2 <sup>nd</sup> Semester)
Time	A Two Semesters Course
Instructor	Alemayehu Geda (Professor, Dept of Economics) ( <a href="mailto:AG112526@gmail.com">AG112526@gmail.com</a> /Web Page <a href="http://www.Alemayehu.Com">www.Alemayehu.Com</a> )

**Main Text Book (for both semesters):**

- \*\*Heijdra, Ben J. and Frederick van der Ploeg (2002). *Foundation of Modern Macroeconomics*. Oxford: Oxford University Press.
- \*\*Romer, David (2001) *Advanced Macroeconomics, 2<sup>nd</sup> edition*. London: McGraw-Hill.
- Snowdon, Brain & Howard R. Vane (2005). *Modern Macroeconomics: Its Origins, Development and Current State*. London: Edward Elgar.
- Agenor, Prre-Richard (2000). *The Economic of Adjustment and Growth..* San Diego: Academic Press.

**Additional Text Books (Readings)**

- Alemayehu Geda (2002). *Finance and Trade in Africa: Macroeconomic Response in the World Economy Context*. Basingstoke/New York: Pallgrave-Macmillan.
- Alemayehu Geda (2011). *Reading on Ethiopian Economy*. Addis Ababa: AAU press.
- Branson, William H. (1989). *Macroeconomics: Theory and Policy, 3<sup>rd</sup> edition*. New York: Harper & Row.
- Davidons, P. (1994). *Post Keynesian Macroeconomics Theory: A Foundation for Successful Economic Policies for the Twenty-first Century*. Aldershot: Edward Elgar.
- Minford, Patrick and David Peel (2002). *Advanced Macroeconomics: A Primer*. Cheltenham: Edward Elgar.
- Murshed, S.M. (1977). *Macroeconomics for the Open Economy*. London: Dryden Press.
- Palley, Thomas I. (1996). *Post Keynesian Economics: Debt, Distribution and the Macro Economy*. Basingstoke: Macmillan.
- Romer, David (2001) *Advanced Macroeconomics, 2<sup>nd</sup> edition*. London: McGraw-Hill.
- Scarth, William M. (1988). *Macroeconomics: An Introduction to Advance Methods*. Toronto: Harcourt Brace.

- Snowdon, Brain & Howard R. Vane, eds. (1997) *A Macroeconomics Reader*.  
 Londn: Routledge.
- Snowdon, Brain & Howard R. Vane (2005). *Modern Macroeconomics: Its  
 Origins, Development and Current State*. London: Edward Elgar.
- Taylor, Lance (2004) *Reconstructing Macroeconomics: structuralist  
 Proposals and Critiques of the Mainstream*. Cambridge: Harvard  
 University Press.
- Ugur, Mehmet , ed (2002). *An Open Economy Macroeconomic Reader*.  
 London: Routledge.
- Valdes, Benigono (1999). *Economic Growth: Theory, Empirics and Policy*.  
 London: Edward Elgar

## **PART I SEMESTER I**

### **A. SHORT RUN MACROECONOMIC ANALYSIS**

- Chapter 1 Who is Who in Macroeconomics**  
 Heijdra and van der Plog (2002), Ch 1  
 Snowdon *et al* (1994)  
 Snowdon and Vane (2002) Ch 1  
 Minford and Peel (2002), Ch 1
- Chapter 2 Dynamics in the Aggregate Supply and Demand Model**  
 Heijdra and van der Plog (2002), Ch 2  
 Scarth (1988) Ch 2  
 Taylor (2004) Ch 4  
 Branson (1989) Ch 4
- Chapter 3 Rational Expectation in Macroeconomics**  
 Heijdra and van der Plog (2002), Ch 3  
 Scarth (1988) Chs 4 to 6  
 Branson (1989) Ch 11  
 Snowdon and Vane (2002), Part III (Chs 11-14)
- Chaper 4 Open Economy Macroeconomics**  
 Heijdra and van der Plog (2002), Ch 11  
 Branson (1989) Ch 17  
 Scarth (1988) Chs 9&10  
 Murshed (1997) Chs 1 to 7  
 Ugur (2002) (part I to IV)  
 Alemayehu Geda (2002) Chs 6&7
- B. SECTORAL FUNCTIONS & (An Overview of) Heterodox Macro**
- Chapter 5 Consumption and Saving**  
 Branson (1989) Ch 13  
 Agneor (2002) Ch 1  
 Romer (2001) Ch 7  
 Sargent (1987) Ch 12
- Chapter 6 Investment**  
 Branson (1989) Ch 12  
 Agneor (2002) Ch 2

Romer (2001) Ch 8  
Sargent (1987) Ch 14  
**Chapter 7 Labour Market (& Unemployment)**  
Heijdra and van der Plog (2002), Ch 8  
Branson (1989) Ch 6 & 10  
Scarth (1988) Ch 1  
Agneor (2002) Ch 14  
Romer (2001) Ch 9  
Ugur (2002) Chs 25 & 26

## PART II SEMESTER II

### A. LONG RUN MACROECONOMIC ISSUES

#### Chapter 8 Theories of Growth (Part I, Basic Theories)

- The Harrod-Domar Model
- Solow-Swan Model
- Infinite Horizon and Overlapping Generation Models:
  - The Ramsey-Cass- Koopmans Model;
  - The Diamond model (If time allows with an Intro of OLG model)

#### References:

- \*Romer Ch. 1-3.
- \*Handbook of Macroeconomics Vol 1ABC, Ch. 5,6,and 7
- \*Barro, R and X. Sala-i-Martin (1995) **Economic Growth** , New York: McGraw Hill.
- \*Brock, W.A. and S. N. Durlauf (2001) "Growth Empirics and Reality," **The World Bank Economic Review** Volume 15, Number 2.
- Corden, M.W. (1990) "Macroeconomic Policy and Growth: Some Lessons of Experience," **Proceedings of the World Bank Annual Conference on Development Economics** Washington: The World Bank.
- \*Easterly, W. and Ross L. (2001) "It's Not Factor Accumulation: Stylized facts and growth Models," **The World Bank Economic Review** Vol. 15 No. 2 pp.177-227.
- .Mankiw,G., D. Romer, and D. Well (1992), "A Contribution to the Empirics of Economic Growth," **Quarterly Journal of Economics** May, pp. 407-437.
- Mohammed, N.A.L. (1993), "Economic Growth and Defence Spending in Sub-Saharan Africa: Benoit and Joerding Revisited," **Journal of African Economies**, vol. 2(2), October.
- \***Journal of Economic Perspectives** (1994) Special Issue
- Khan, M. S, and D. Villanueva (1991) "Macroeconomic Policies and Growth: A Conceptual and Empirical Review" **AERC Special Paper No. 13**,
- \*Sala-i-Martin, X, (1997) "I Just Ran Two Million Regressions," **American Economic Review**, vol. 87, No.2, pp.178-83.
- Sachs, J. and A.M. Warner (1997), "Sources of Slow Growth in African Economies," **Journal of African Economies** 6(3).
- Schmidt-Hebbel, K. (1996) "Fiscal Adjustment and growth: In and Out of Africa," **Journal of African Economies** Supplement to Volume 5 Number 3.
- \*Solow, Robert M. (2001) "Applying Growth Theory across Countries," **The World Bank Economic Review** Vol.15, Number 2
- Solow, Robert M. (1957), "Technical changes and the Aggregate Production Function," **Review of Economics and Statistics**; August.
- Domar, D. (1947), "Expansion and Employment," **American Economic Review**; March.
- Harrod, R.F. (1959), "Domar and Dynamic Economics," **Economic Journal**; September.

- \*Kaldor, Nicholas (1961), "Economic Growth and Capital Accumulation," in F. Lutz and D.C. Hagne, eds (1961), **The Theory of Capital**. London: Macmillan.
- Solow, Robert M. (1956), "A Contribution to the Theory of Economic Growth," **Quarterly Journal of Economics**; February.
- Solow, Robert M. (1970), **Growth Theory**. Oxford: Oxford University Press.
- Kaldor, Nicholas (1955-56), "Alternative Theories of Distribution," **Review of Economic studies**; No.61.
- \*Maddison, A. (2000), **Monitoring the World Economy: 1820-1992**. Paris: OECD
- \*Pritchett, Lant (2000), "Understanding Patterns of Economic Growth: Searching for Hills among Plateaus, Mountains, and Plains," **The World Bank Economic Review**. Vol. 14(2), pp. 221-50.
- \*Tobin, James (1965), "Money and Economic Growth," **Econometrica**; Vol. 33, October.
- Phelps, Edmund S. (1961), "The Golden Rule of Accumulation: A Fable for Growth men," **American Economic Review**; September.
- Phelps, Edmund S. (1965), "Second Essay on the Golden Rule of Accumulation," **American Economic Review**; September.

## **Chapter 9 Theories of Growth (Part II: New Growth Theories & The Political Economy of Growth – with case Study of Ethiopia)**

- Endogenous growth models
- The Political Economy of Growth
  - Institutions; Governance; Interest Groups
  - Rent Seeking; Corruption
- The Political Economy of Growth in Ethiopia

### **References:**

- \*Bates and Krueger (1983), **Political Economy of Reforms**
- \* Snowdon, Brain & Howard R. Vane (2005), Ch. 10
- \*Barrow and Sala-i-Martin (2004), Ch 4, 5 and 6
- Romer (1995), Ch 3.
- \*Heijdra and Van Der Ploge, Chs 14.
- \*Drazen (2001). **Political Economy in Macroeconomics**. New Jersey: Princeton Univ Press
- \*Papers and Proceedings of the **Annual Bank Conference on Development Economics 19??**
- \*Alemayehu Geda (2007) 'The Political Economy of Growth in Ethiopian' in **Cambridge African Economic History Series**, Vol. II, Cambridge University Press.
- \*Acemoglu, D., S. Johnson, and J. Robinson (2001), "The Colonial Origin of Comparative Development: An Empirical Investigation," **American Economic Review** 91 (December).
- \*Galbis, Vincente (1977), "Financial Intermediation and Economic Growth in Less Developed Countries: A Theoretical Approach," **Journal of Development Studies**, Vol. 13(2), pp. 58-72.

- \*Galbis, Vincente (1979), "Money, Investment and Growth in Latin America, 1961 – 73," **Economic Development and Cultural Change** 27(3).  
 Bardham, P. (1993). "Survey on Corruption" **JEL**

## **Chapter 10 An Introduction to Real Business Cycle Theories and Overlapping Generation (OLG) Models**

- The basics of Generational Economics and its application in Growth Models
- Facts about economic fluctuations
- Real Business Cycle models
- Traditional Keynesian theories of fluctuations
- Relevance to Africa

### **References:**

- \*Romer Ch. 4 & 2  
 \*Heijdra and Van Der Ploge, Chs 15 to 17  
 \*Fischer, Stanley (1977) "Long term Contracts, Rational Expectations, and the Optimal Money Supply Rule" **Journal of Political Economy**, Feb., P. 191 – 206.  
 \*Kydland, Finn C. and Edward C. Prescott (1994), "Business Cycles: Real Facts and a Monetary Myth," in Preston J. Miller, ed. (1994), **The Rational Expectations Revolution: Readings from the Front Line**. Cambridge, Mass.: MIT Press.  
 \*Agenor, P-R, C. John McDermott, and E.S Prasad (2000), Macroeconomic Fluctuations in Developing Countries: Some Stylized Facts," **The World Bank Economic Review**, Vol. 14(2), pp. 251-85.  
 Long, J. and C. Plosser (1983). "Real Business Cycles," **Journal of Political Economy** 91: 39-69  
 Lucas, R. Jr. (1975). "An equilibrium model of business cycle," **JPE**  
 Lucas, R. Jr. (1987). **Models of Business Cycles**. Oxford: Basil Blackwell  
 Corden, W.M (1987) "The Relevance for Developing Countries of Recent Developments in Macroeconomic Theory" **The World Bank Research Observer**, Vol. 2, No. 2  
 Gordon, R. (1981) "Output Fluctuations and Gradual Price Adjustment" **Journal of Economic Literature**. June 1981.  
 Easterly, William, Romeen Islam, and Joseph E. Stiglitz (2001), "Shaken and Stirred: Explaining Growth Volatility," **Annual World Bank Conference on Development Economics, 2000**, pp. 191-211.

## **B. MACROECONOMIC POLICY**

### **Chapter 11 Government Budget Deficit and Fiscal Policy**

- a) The Role of the State in the Macroeconomic
- b) The Government Budget Constraint

- c) Alternative explanation of Budget deficits
- d) Ricardian equivalence and its failures
- e) Tax smoothing
- f) Political-Economy Theories of Budget Deficits
- g) Financing of Budget Deficits
- h) Seigniorage and Inflationary Finance
- i) Strategic Debt Accumulation
- j) Delayed Stabilization
- k) Empirical Application: Politics and deficits in Developing countries
- l) Debt Crises

### References:

- \*Agenor (2006) ch 3
- \*Barro, R. (1974) "Are Government Bonds Net Wealth?" **Journal of Political Economy** p. 1095.
- \*Blinder A. and R. Solow, (1973) "Does Fiscal Policy Matter?" **Journal of Public Economics**, , pp. 319-38.
- \*Fischer, S. and W. Easterly (1990) "The Economics of the Government Budget Constraint," **World Bank Research Observer**, Vol. 5(2).
- \*Handbook Ch. 22 and 25
- \*Lindauer, D. L. and D. Velenchik (1992) "Government Spending in Developing Countries: Trends, Causes, and Consequences," **World Bank Research Observer** \_vol. 7, No.1.
- \*Romer Ch.11
- \*Walsh (1998), **Monetary Theory and Policy**, Cambridge MA: MIT Press, Ch. 4
- Christ, C. (1968) "A Simple Macroeconomic Model with a Government Budget Constraint" **Journal of Political Economy**, pp. 53-67.
- Friedman and Hahn, **Handbook of Monetary Economics** ch 17
- Gallagher, M. (1994) "Government Spending in Africa: A Retrospective of the 1980s," **Journal of African Economics**, Vol. 3 Number 1, April, pp. 62-92.
- Stiglitz, J. (1983) "On the Relevance or Irrelevance of the Government Financial Policy" **NBER Working Paper**

## Chapter 12 Money, Inflation, Monetary Policy and Dynamic Inconsistency Issues

- a) Financial Innovations and Demand and Supply of Money
- b) inside and outside money
- c) the money supply process
- d) Inflation and Monetary Policy
- e) Dynamic Inconsistency and Credability issues
- f) Inflation in Africa and Other Developing Regions

### References

- \*Agenor (2006) Ch4, 6 and 8.
- \*Aryeetey, E. and M. Hyuha (1991), "The Informal Financial Sector and Markets in Africa" in A. Chhibber and Stanley Fischer, eds. **Economic Reform in Sub-Saharan Africa**. Washington, DC: The World Bank.
- \*Cagan, P. (1956). "Monetary Dynamics of Hyperinflation" In **Studies in the Quantity Theory of Money**. Ed. M. Friedman.

- \*Fischer, S. (1977) “Long term Contracts, Rational Expectations, and the Optimal Money Supply Rule” **Journal of Political Economy**, Feb., P. 191 – 206.
- \*Friedman, M. (1968), “The Role of Monetary Policy,” **American Economic Review**. Vol. 68, pp. 1-17
- \*Gali, J. and M. Gertler (1999), “Inflation Dynamics: A Structural Econometric Analysis,” **Journal of Monetary Economics** October: 195 – 222.
- \*Hahn, F., and B. Friedman (??) **Handbook of Monetary Economics**. North Holland. Ch 17
- \*Obstfeld, Maurice (2002), “Inflation Targeting, Exchange-Rate Pass-Through, and Volatility,” **The American Economic Review: Papers and Proceedings**. Vol. 92(2), pp. 102-107.
- \*Romer, ch 10
- \*Stiglitz and Weiss (1991). Credit Rationing in Markets with Imperfect Information, **AER** 71(3): 153-171
- \*Walsh (1998), **Monetary Theory and Policy**, Boston: MIT Press, Chs.1, 2, 7 and 8
- Agenor (2006) Chs 4 and 6
- Chhibber, A. and N. Shafiq (1992), “The Inflationary Consequences of Devaluation with Parallel Markets: The Case of Ghana,” In V. Carbo, Stanley Fischer, and S. Webb, eds. (1992), **Adjustment Lending Revisited**. Washington, D.C.: The World Bank.
- Dhliwayo, Rogers (1996), “The Balance of Payments as a Monetary Phenomenon: An Econometric Study of Zimbabwe’s Experience,” **AERC Research Paper No. 46**.
- Friedman, M. (1969), **The Optimum Quantity of Money and Other Essays**. Wheatsheaf
- Fry, Maxwell J. (1988), **Money, Interest and Banking in Developing Countries 2ed**
- Hyuha, M. (1997), “Reflections on Forex Bureau/Parallel and Official Exchange Rates and Inflation in Uganda,” Chapter 12 in F.M. Mwegu and V. Seshamani, eds. (1997), **Economic Management in Sub-Saharan Africa: Lessons from the 1970s and 1980s and Prospects for the 1990s and Beyond**. Nairobi: East African Publishers.
- Nissanke, M. and E. Aryeetey (1998), **Financial Integration and Development: Liberalization and Reform in Sub-Saharan Africa**. London and New York: Routledge.
- Oxford Economic Policy Review**, *Special Issue on Financial Repression*, 1989
- Senbet and Ncube/ Aryeetey (??) AERC plenary paper on Financial Markets in Africa
- Tobin, J. (1956) “The Interest-Elasticity of Transactions Demand for Cash” **Review of Economics and Statistics**.

## Chapter 13 Hetrodox Macroeconomics and Applied Macroeconomic policy models in Africa

- a) Introduction to Hetrodox Macroeconomics (Structural Macroeconomics)
  - i. Basic Assumptions of Structuralist Macroeconomics
  - ii. The implications for Macro Models
- b. Types of macroeconomic models: a review
- c. Three gap models
- d. Bank-fund modes
  - i. The IMF financial programming model



- ii. The World Bank RMSM-X model
- e. Economy wide models and forecasting techniques
  - i. CGE
  - ii. Macro-econometric models
  - iii. Applied African Econometric Models and their Policy use

### References:

- \*Agenor and Montiel (1996), **Development Macroeconomics, Ch. 8**
- \*Agenor (2006), Ch 9
- \*Ndulu, B. J. (1990) "Growth and Adjustment in Sub-Saharan Africa" in A. Chhibber and Stanley Fischer, eds. **Economic Reform in Sub-Saharan Africa.** Washington, DC: The World Bank.
- \*Taylor L.(1983) **Structuralist Macroeconomics.** Basic Books. .
- \*Taylor, L. (ed) (1990) **Social Relevant Policy Analysis.** Cambridge, MA: MIT Press

### Additional Readings

- Alemayehu Geda and Free Huzina (2004) ' The Theory of the Ethiopian Macroeconometric Model' MOFED, Addis Ababa.
- Alemayehu Geda (2002), Ch 3
- Davidson (1994)
- de Melo, J. and Robinson, S. (1982), **General Equilibrium Models for Development Policy.** Cambridge: Cambridge University Press.
- Edwards S. and Van Wijnbergen (1989) "Structural Adjustment" in Chenery and Srinivasan, **Handbook of Development Economics,** Vol. 2, North Holland
- Elbadawi, Ibrahim A. (1996) "Consolidating Macroeconomic Stabilization and Restoring Growth in Africa," in Benno Ndulu, *et al.* (1996), **Agenda for Africa's Economic Renewal.** Oxford: Transaction Publishers.
- Helleiner, G. (1983) "The IMF and Africa in the 1980s" **Essays in International Finance No. 152**
- Jhon Weeks (1991). **Critique of Neoclassical Macroeconomics.** London: Pallgrave Macmillan
- Khan, M. S. and M. Knight (1981) "Stabilization Programs in Developing Countries: A formal framework" **IMF Staff Papers,** Vol. 28, No. 1
- Khan, M. S. and Montiel P.(1989) "Growth Oriented Adjustment Programs: A Conceptual Framework" **IMF Staff Papers** Vol. 36, p. 279.
- Lipumba N. H. I., Ndulu B.J. et al. "Supply constrained Macroeconomic Model of Tanzania" **Journal of Economic Modelling,** No. 3, 1989.
- Pallely (1996)
- Snowdon and Vane (2005), Ch 7,8 and 10
- Taylor (2004). *Reconstructing Macroeconomics.* MIT Press.
- Taylor, J. B (1993) "The Use of the New Macroeconometrics For Policy Formulation" **American Economic Association Papers and Proceedings,** pp. 294-299.
- Taylor, L (1979). **Macro Models for Developing Countries,** New York, McGraw Hill
- Taylor, L. (1981) "IS-LM in the Tropics: Diagrammatics of the New Structuralist Macro Critique" in Cline and Weintraub (eds), **Economic Stabilization in Developing Countries.**

Experiment with DeviantArt's own digital drawing tools. End of Semester I (Part I: Painting). Jun 15, 2016|. 2 min read. With a few weeks left of the semester, I worked much larger, with bigger brushes and more solvents. We built and wrapped a 170 cm x 190 cm stretcher frame. The weave was thin, the paint was thin; everything would be thin, washy, stained. Each part shall consist of two semesters viz. Semester 1st and 2nd in Part-I and Semester 3rd and 4th in Part-II. Part-I shall be open to a candidate who has passed B.Com. B.B.A., B.M.I.T. B.Com (Professional) and Bachelor of Accounting & Finance examinations with at least 50% marks in the aggregate from this University or any other University recognized as equivalent thereto by the Academic Council. 3. The Assessment in each semester of M.Com. course will be 30% internal and 70% external for each written paper. The result of the Internal Assessment shall be conveyed to the students/examination branch by the Head of the Department according to prescribed schedule. For students that are attending this program mefor one semester, I highly recommend taking Strategies in STI Management in consideration. Last, the Corporate Foresight course. This course showed me how to use the corporate foresight methodology. I am happy to become part of the Technische Universität Berlin (TUB) programme this year at the end of my studies I will receive two diplomas one from HSE and one from TUB. I strongly believe that the Master's programme will help me to achieve my future goals and career aspirations.