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**Course Number:** Advanced Macroeconomics  
**Semester:** Spring, 2011/2012  
**Instructor:** El-hadj Bah  
**Credits:** 4 credit hours/ 8 ECTS  
**Contact hours:** 24 hours  
**Learning hours:** 96 hours  
**Class Hours:** Daily, 17-21  
**Prerequisite:** Macroeconomics

**Required Text:**

1. Mankiw, Gregory N. (2007), *Macroeconomics*, 6<sup>th</sup> edition, Worth Publishing
2. Acemoglu, D. (2008), *Introduction to Modern Economic Growth*, Princeton Press
3. Romer, D. (2011), *Advanced Macroeconomics*, 3<sup>rd</sup> edition, Mc-Graw Hill
4. Hall R. and Jones, C. (1999) Why Do Some Countries Produce So Much More Output per Worker than Others? *The Quarterly Journal of Macroeconomics*, Vol. 114, No. 1, pages 83-116
5. Bah, E. and Brada, J. (2009) Total Factor Productivity Growth, Structural Change and Convergence in the New Member States of the European Union, *Comparative Economics Studies*, Vol. 51, No. 4, pages 421-446.
6. King, Robert and Sergio Rebelo (2000), Resuscitating Real Business Cycles, in J. Taylor, and Michael Woodford (eds.) *Handbook of Macroeconomics*, North-Holland.
7. Bah, E., Batalden, S., Brada, J. and Evans-Romaine, K., Assessing the Impact of US Government Assistance on Job Creation, *US Agency for International Development*, [http://pdf.usaid.gov/pdf\\_docs/PDACM645.pdf](http://pdf.usaid.gov/pdf_docs/PDACM645.pdf)

**Additional reading:**

1. Lucas, R. (1988), On the Mechanisms of Economic Development, *Journal of Monetary Economics*, 22(1), 3-42.
2. Mortensen, D. and C. Pissarides, Job Creation and Job Destruction in the Theory of Unemployment, *Review of Economic Studies*, 61(3), 397-415
3. Documents and exercises to be provided by the instructor

**Course description:**

Provides an introduction to the dynamic microfoundations of macroeconomics, and demonstrates how we can utilise these foundations. (i) to understand the trends and fluctuations of macroeconomic aggregates like national output, unemployment, inflation and interest rates, and (ii) to predict the outcome of alternative government policies. The goal of the course is to provide students with a knowledge base incorporating the central issues and models of macroeconomics and to aid in the development of analytical skills required for the application of the theory to real-world problems

**Learning objectives:**

- To study basic models of long-run Growth and use them to understand current income differences
- To analyse the causes and consequences of economic fluctuations

- To study the tools of fiscal policy
- To study theories and the behaviour of unemployment
- To study various theories of government debt

### **Learning outcomes:**

By the end of this course it is expected that the student will be able to:

1. be familiar with the frameworks for measurement and analysis of macroeconomic outcomes;
2. specify and apply macroeconomic models and methods to analyse the determination of key economic measures such as output and unemployment and macroeconomic behaviour such as economic growth and business cycles;
3. be informed about issues relating to government policy options and to analyse the potential effects of alternative policies.
4. Understand the causes of high unemployment rates and what government can do
5. Understand the consequences of government debt

### **Course delivery:**

Class lecture will review key themes within the suggested textbook and readings mainly in a form of ppt and exercises at the end of each chapter. Notes or outlines will be given to students for each lecture which should guide them in using the textbook. Real-life examples and case-studies will be examined often to help students understand the material taught better.

### **Instructor's expectations from students:**

- Attend class regularly and take instructors notes which can be used as a guideline.
- Contribute to the interactive classes.
- Prepare and follow your own program for home reading.
- Think critically on the issues presented in the classroom.
- Avoid anti-social behavior in College and anti-academic behavior in the classroom (i.e. plagiarism, cheating, etc.)
- Try to interconnect the material taught on related subjects, i.e. Social and Economic Development, Microeconomics, Macroeconomics, etc.
- Impose a self – discipline regarding Colleges rules and procedures.

### **Examinations structure:**

- *Exams:* final-term (60%) exams. Both exams will include questions on the theory taught in a form of multiple-choice, and problem solving questions.
- *Project:* student will be asked to prepare a literature review and analyze the application to the Macedonian economy (20%).
- *Exercises:* student will be asked to offer a solution to a numerical assignment and/or essay questions, which will be delivered at the end of each class. The due time will be the next class, when the solutions will be discussed (10%).
- *Class attendance and active participation:* It may correct and upgrade (or downgrade) your performance in the exams. Absence from classes and/or non-participation will be considered as negative aspect and may deteriorate a student's final grade.

**Day 1:**

#### **Introduction to the class**

- Meeting with the lecturer
- Syllabus and basic textbook

#### **Data of Macroeconomics**

- Gross Domestic Product
- Consumer Price Index and Inflation
- Unemployment

#### **National Income: Where it Comes from and Where it Goes**

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- Supply Side
  - Demand Side
  - Equilibrium

**Studying material:**  
**Mankiw: Chapters 2 & 3**

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- Day2: Economic Growth**
- Introduction
  - The Solow Model
  - Kass-Coopman-Ramsey Model
  - Endogenous Growth

**Studying material:**  
**Mankiw: Chapters 7 & 8**  
**Acemoglu: Chapters 1 & 2**

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- Day 3: Empirics on Growth**
- Growth Accounting
  - Growth Regressions
  - Application to Macedonia
  - Growth in Eastern Europe

**Studying material:**  
**Articles: Hall and Jones (1999) & Bah and Brada (2009)**  
**Acemoglu: Chapter 3**

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- Day 4: Economic Fluctuations**
- Introduction to Business Cycles
  - Using the IS-LM Model
  - Real Business Cycles Theory

**Studying material:**  
**Mankiw: Chapters 11**  
**Romer: Chapter 4**  
**King and Rebelo (2000)**

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- Day 5: Unemployment and Government Debt**
- The Natural Rate of Unemployment
  - Behavior in the real world
  - Labor Markets in Eastern Europe
  - The Ricardian Equivalence
  - Other views of Government Debt

**Studying material:**  
**Mishkin: Chapters 6 & 15**  
**Bah et al (2008)**

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**Hand-outs for the project**

**Final exam**

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### **CPC Coverage in terms of hours**

- 1) Functional area
  - A Marketing – 0 hour
  - B Business finance – 0 hours
  - C Accounting – 0 hours
  - D Management – 0 hours
- 2) The Business environment

- A) Legal environment of Business – 1 hours
- B) Economics – 10 hours
- C) Business ethics – 1 hour
- D) Global dimensions of Business – 8 hours
- 3) Technical skills
  - A) MIS/IT computing – 2 hour
  - B) Statistics/Quantitative techniques – 2 hours
- 4) Integrative areas
  - A) Business policy – 0 hours
  - B) Internship – 0 hours

**Assessment:**

*Active participation and attendance-10%, exercises-10%, Final Exam-60% and Project-20%.*

**Exams are closed books.** Also, you use your own calculator and nothing else will be allowed.

**Mobile phones are strictly not tolerated in the class for any use (including computations).** Active participation is meant as the effort and the interest that a student shows in the class, including homework.

After each session students are expected to study all the relevant material, read all the associated exercises, prepare assignment for the next class (if given), identify the difficult points and pose their questions in the next session either directly to me or in the class.

Grading Criteria

Grading points	%	Quality
A	96-100	4.00
A-	90-95	3.67
B+	87-89	3.33
B	83-86	3.00
B-	80-82	2.67
C+	77-79	2.33
C	73-76	2.00
C-	70-72	1.67
D+	67-69	1.33
D	63-66	1.00
D-	60-62	0.67

**Make-up tests are given in exceptional circumstances.** Cheating and plagiarism in any form will result immediately in the grade F. I assign a grade of (incomplete) only when a student misses the Midterm or the Final exam due to a **College-excused absence**, and is unable to make up before final grades are due to the Record’s Office. Please, consider seriously that there will be no exceptions concerning the above policy.

**Class Conduct:** You are responsible for everything that is announced, presented or discussed in class. The way to avoid any misunderstanding associated with this course is to attend class. You are expected to attend class and I do keep attendance records. **The class starts promptly at the scheduled time.** I find late arrivals distracting, which cause a decline in the quality of my lecture.

Importantly, it is also disruptive to your colleagues. I accept students **only up to five minutes late for the first class in a day.** Please, refrain from talking during class, it is disruptive to your colleagues and the lecture. I expect the best behavior from all of you. This is what education is all about. If you have a question about the material, please don’t hesitate to ask me; answering questions is part of my job. If you are lost or confused, your question may help clarify the topic. Please, consider that **the language of instruction is English, so all our conversation into the class must be in this language.**

Class participation and an active intellectual engagement are not only expected but required. Students will deliver their class presentations on the discussion topics. As a final examination students will complete a comprehensive written test. The written test will discuss the material covered in the course readings, reading questions and case studies.

**Keep in mind the following:**

C- or better is required to use a course either as a prerequisite or as a major requirement.

G.P.A. (Grade Point Average): is computed for each student using the quality points earned for each course taken. A G.P.A of at least 2.0 is required for transfer and to graduate from ACS.

I wish you an interesting and creative academic semester.

**Academic Honesty**

The American College Skopje has its personal integrity which is presumed to be sufficient assurance in academic matters one's work is performed honestly and without unauthorized assistance. Undergraduate students, by registration, acknowledge the jurisdiction of the Honour System.

Plagiarism and cheating are serious offences and may be punished by failure on the exam, paper or project; failure in the course; and/or expulsion from the faculty. Individuals are prohibited from selling or being paid for taking notes in any form (written, electronic, or otherwise) during this course to or by any person or commercial firm without the express written permission of the professor teaching this course.

**Late Work:**

Many reasons are given for late work (e.g., flat tires, printer problems, illness, oversleeping, etc.). No matter what the reason, the bottom line is that either (a) the work was completed and turned in when required or (b) the assignment was not completed and turned in when required.

As specified earlier, assignments are due in class at the beginning of class on the specified due date. There is NO PROVISION for late work on any assignment (i.e., late work is not accepted). I also strongly recommend having backup systems in place so that you can have all work completed on schedule. Having your work completed on schedule is a key to early success in your business career.

NOTE: Late submissions are not accepted. Partial credit will NOT be given for late work.

**Approved by: Marjan Petreski**

**Date: 11/2011**