



Lahore University of Management Sciences

ECON 221 – Intermediate Macroeconomics

Fall 2024-2025

Sections 1 and 2

Instructor	Daniyal Khan
Room No.	1-0117 (Department of Economics Wing D)
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Secretary/TA	Sec: Muhammad Rashid, TA Section 1: Shanam Javed, TA Section 2: Hamza Mubashir
TA Office Hours	See the TAs about this information
Course URL (if any)	NA

Course Basics				
Credit Hours	4			
Lecture(s)	Nbr of Lec(s) Per Week	2	Duration	110 minutes
Recitation/Lab (per week)	Nbr of Lec(s) Per Week	1 recitation	Duration	60 minutes
Tutorial (per week)	Nbr of Lec(s) Per Week	NA	Duration	NA

Course Distribution	
Core	Yes
Elective	
Open for Student Category	Any student other than freshmen
Close for Student Category	Freshmen and M.Sc. second year students

COURSE DESCRIPTION
<p>This is a second-year course in macroeconomics and extends the discussion covered in the introductory course “Principles of Macroeconomics”. The course presents an intermediate synthesis, treatment and exploration of issues and problems in macroeconomics. Students will learn to conceptualize and analyze the economy as a whole rather than as a simple sum of its microeconomic constituent parts. Beginning with the IS-LM model and its historical background, the course will teach students how macroeconomics brings together models of different markets (goods, finance, labor) to combine them into a holistic analysis of the economy. The policy problems and tools (fiscal and monetary) arising routinely in the macroeconomic study and management of economies will be discussed at a level beyond that of a first undergraduate course in economics. Through this course of study, students will have the chance to learn about and reflect on problems relating to the role of government in the economy in contrast to the private sector, and the recurrence and persistence of crisis and turbulence in macroeconomic history. The course will conclude with remarks and reflections on the history and methodology of macroeconomics. By the end of the course, students should be able to employ some intermediate level macroeconomic concepts and tools to try to understand their macroeconomic surroundings.</p>

COURSE PREREQUISITE(S)	
	Principles of Macroeconomics (ECON – 121)

COURSE OBJECTIVES	
	This course is an intermediate macroeconomics course. We will cover most topics by means of a graphical analysis, and integrate that with algebraic treatments whenever such integration is possible and useful.



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Learning Outcomes	
	<p>By the end of the course, students should be able to:</p> <ul style="list-style-type: none"> • understand how to develop theoretical models that help to understand the workings of the macroeconomy; • study by means of such models how key economic variables in the economy are determined; • understand how different types of government policies work; • distinguish between the classical and the Keynesian approaches to the study of macroeconomics; • fine-tune the analysis to include the study of extensions such as the role of expectations and the open economy.
Grading Breakup and Policy	
<p>Attendance: 10%</p> <p>Homework Assignments (2) and quizzes (2): 30%</p> <ul style="list-style-type: none"> • Total four (two before and two after the midterm); 3 will count for 10% each. <p>Midterm examination: 30%</p> <p>Final Examination: 30%</p> <p>Note on attendance: Regardless of the graded aspect of attendance, students are strongly advised and encouraged to attend class regularly to be able to engage with the course successfully.</p> <p>Note on academic integrity: Students are advised to review the university's policies on academic honesty and integrity, which they are obliged to abide by. Any cases of plagiarism or other violations of the university's rules regarding academic integrity will be dealt with as per the policies.</p>	
Examination Detail	
Midterm Exam	<p>Yes/No: yes</p> <p>Combine Separate: separate</p> <p>Duration: 100 minutes</p> <p>Preferred Date: TBD</p> <p>Exam Specifications: TBD</p>
Final Exam	<p>Yes/No: yes</p> <p>Combine Separate: separate</p> <p>Duration: 100 minutes</p> <p>Exam Specifications: TBD</p>
Textbook(s)/Supplementary Readings	
<p>Main textbook:</p> <ul style="list-style-type: none"> • Macroeconomics A European perspective (4th edition) by Olivier Blanchard, Alessia Amighini and Francesco Giavazzi <p>This book will be referred to below as BAG and may simply be referred to as Blanchard during the course. The chapters from this textbook will be complemented by a variety of other reading material. Students may also consult the textbooks below.</p> <p>Other textbooks:</p> <ul style="list-style-type: none"> • Macroeconomics Third Edition by Charles Jones • Introducing Advanced Macroeconomics by Peter Sorensen and Hans Whitta-Jacobsen 	



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COURSE OVERVIEW			
Module	Topics	Readings	Objectives/ Application
1	Goods and financial markets and the IS-LM model	<ul style="list-style-type: none"> Blanchard, Amighini and Giavazzi (henceforth BAG) Ch. 3 – 6 “Introduction: Seven Decades of the IS-LM Model” (Vroey and Hoover, book chapter in <i>The Companion to the History of Economic Thought</i>) “Should economists dispense with the notion of equilibrium?” (Setterfield 2015) “classical dichotomy” (David Fields, in <i>Encyclopedia of Central Banking</i>) “Say’s Law” (Thomas Sowell, entry in <i>New Palgrave Dictionary of Economics</i> (NPDE)) 	Understand the basics of the IS-LM model, along with its methodological and historical background
2	Labor market, inflation, the Phillips Curve, AS-AD model	<ul style="list-style-type: none"> BAG 7-10 Blanchard and Johnson “Putting all markets together: The AS-AD Model” “Phillips curve” (Malcolm Sawyer, entry in <i>The Encyclopedia of Central Banking</i>) “A Fed-induced recession is a medicine worse than the disease” (Claudia Sahm in the FT) “Ban the Phillips Curve” (Claudia Sahm) “Phillips Curve”, Kevin Hoover, <i>The Library of Economics and Liberty</i> 	Extend the framework beyond the goods and financial markets and move it towards a more holistic picture of the macroeconomy, and be familiar with the debates surrounding those extensions
3	Growth theory	<ul style="list-style-type: none"> BAG Ch. 11 – 14 “capitalism” (Heilbroner, entry in NPDE) Adam Smith, <i>The Wealth of Nations</i>, Chapter 1 (On the Division of Labor) 	Be familiar with reasons why growth is an important subject of macroeconomic investigation and analysis, and understand how growth can be theorized
4	Expectations	<ul style="list-style-type: none"> BAG Ch. 15 – 17 Keynes, <i>The General Theory</i> (1936), Chapter 5 and Chapter 12 “Imagined futures: fictional expectations in the economy” (Beckert 2013, <i>Theory and Society</i>) Minsky, “Financial Instability Hypothesis: A Restatement” (1982) Olivier Blanchard and Inflation (Lavoie and Rochon blogpost) Who killed the Phillips Curve? A Murder Mystery (Ratner and Sim 2022, Fed paper) 	Understand the distinction between risk and uncertainty, have a sense of how and why people might form expectations, and why expectations matter
5	The open economy	<ul style="list-style-type: none"> BAG Ch. 18 – 21 “Impossible trinity” (Ricardo Summa, entry in <i>Encyclopedia of Central Banking</i>) “Triffin dilemma” (Bibow, entry in <i>Encyclopedia of Central Banking</i>) “Bretton Woods regime” (Hamouda, entry in <i>Encyclopedia of Central Banking</i>) The Thatcher Legacy, Muellbauer and Soskice 	Understand possibilities and pitfalls of open, global markets
6	Back to policy	<ul style="list-style-type: none"> BAG Ch. 22 – 24 <i>The Essential Keynes</i>, Ch. 18 (The Great Depression), Ch. 33 (How to Avoid a Slump) “New Classical Macroeconomics, The” (Hoover, entry in <i>Handbook of Economic Methodology</i>) “Notes on implications of fundamental uncertainty for policy and modelling” (Daniyal Khan, draft) SBP Act 1956 (as amended up to January 2022) SBP and Ministry of Finance 2021 brief 1 and brief 2 on SBP Act amendment 	Understand the tools, functions, complexity, ambition and limits of macroeconomic policy
7	Concluding remarks and reflections on history and	<ul style="list-style-type: none"> “The General Theory of Employment” (Keynes 1937, QJE) “A History of Postwar Monetary Economics and Macroeconomics” (Hoover, chapter in <i>A Companion to the History of Economic Thought</i>) 	Understand that macroeconomics is a living and breathing field which changes with time, and that there are multiple ways of doing



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	method	<ul style="list-style-type: none">• “Microfoundations” (Janssen, entry in <i>Handbook of Economic Methodology</i>)• The General Theory (1936), Chapter 24, Keynes• “Economics as a Profession” (Coats, entry in <i>Handbook of Economic Methodology</i>)• “Keynes, John Maynard” (Cottrell, entry in <i>Handbook of Economic Methodology</i>)• “Macroeconomic Priorities” (Lucas 2003, AEA presidential address)• Keynes’s letter to Harrod on Tinbergen and method• “What is a nice girl like you doing in a place like this? Macroeconomics after fifty years” (Solow 1986, EEJ)• “Feminist Perspectives on Care and Macroeconomic Modelling: Introduction to the Special Issue” (Braunstein 2022, <i>Feminist Economics</i>)	macroeconomics
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