



Advanced Macroeconomics Courses for PhD Candidates @ The Department of Economics Of Addis Ababa University

2014/2015

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Advanced and Contemporary Topic in Macroeconomics I & II: Course Description

At the Department of Economics, College of Business and Economics of the Addis Ababa University, I offer two courses on Advanced Macroeconomics and Contemporary topics in Macroeconomics. The course aims at equipping candidates with advanced and African related topics on contemporary macroeconomics. This is the state of the art macroeconomics course offered at the country's prime institution. The content of our course is similar to the state of the art in any university in Advanced Economies. In fact for African students the courses at AAU has a unique advantage of relating the course to contemporary macroeconomic issues in Africa. In that sense, for African students our courses at the Department of Economics of AAU are better than similar courses offered in prime universities in Advanced economies. Thus I encourage Ethiopian and other African students to go for our course for their advanced studies in macroeconomics. This booklet offers the details of these two semester courses. Further information and lecture materials are also available at my web site www.Alemayehu.com

Advanced Macroeconomics I

Lecture:@ FBE Campus –Eshetu Chole Bulding, Room 306.

Lecture 0*:	Review of Advanced [Dynamic] Mathematics [Optional]
Lecture 1:	The Solow-Swan/Neoclassical Growth Model [Exogenous Saving]
Lecture 2:	The Ramsey-Cass-Koopman Growth Model [Endogenous Saving]
Lecture 3:	The Diamond/OLG Model
Lecture 4:	The Endogenous Growth Models
Lecture 5:	Real Business Cycle Models
Lecture 6:	The Political Economy of Growth (in Ethiopia and Africa at large)
Lecture 7:	Consumption
Lecture 8:	Investment
Lecture 9*:	The Labour Market [*Optional Depends on available time]

Main Readings [* Very Important]

*Acemoglu, Daron (2009). Introduction to Modern Economic Growth. Princeton: Princeton University Press.

*Barro, Robert Jr. and Xavier Sala-i-Martin (2004). Economic Growth. Cambridge, Mass: MIT Press.

*Heijdra, Ben (2009). Foundation of Modern Macroeconomics. Oxford: Oxford University Press

*Nudulu et al (2008). The Political Economy of Growth in Africa, 2 volumes (Cambridge: AERC and Cambridge University Press).

*Alemayehu Geda (2008) The Political Economy of Growth in Ethiopia (In the same book above/Nudulu et al, Vol 1, Ch 4

*Romer, David (2012). Advanced Macroeconomics, 4th Edition. New York: McGraw-Hill

*Taylor, Lance (2004). Reconstructing Macroeconomics: Structuralist Proposals and Critiques of the Mainstream. Harvard: Harvard University Press.

*Weeks, John (2013). False Paradigm: The Irrelevance of Neoclassical Macroeconomics. London: Edward Edgar.

Alemayehu Geda et al (2012). Applied Time Series Econometrics: Practical Guide for Applied Macroeconomic Researchers with a Focus on Africa. Nairobi: Nairobi University Press.

Agenor, Paul and P.J. Montiel (2008), Development Macroeconomics, Princeton University Press, 3rd edn (or the Agenor version 2006)

Chiang, Alpha C (1992). Elements of Dynamic Optimization. New York, McGraw-Hill/Or

Sydsaeter et al (2005). Further Mathematics for Econ Analysis

Valdes, Benigno (1999). Economic Growth: Theory, Empirics and Policy. Cheltenham: Edward Elgar.

Relevant Classic Articles

- Baumol, William (1986). "Productivity Growth, Convergence, and Welfare," *American Economic Review*, 76:1072-85
- Brock, William A. and M. Scott Taylor, "The Green Solow Model," *Journal of Economic Growth*, June 2010, pp. 125-153
- DeLong, J. Bradford (1988). "Productivity Growth, Convergence, and Welfare: Comment," *American Economic Review*, 78:1138-54.
- Domar, Evsey D. (1946), "Capital Expansion, Rate of Growth and Employment", *Econometrica* 14: 137-147.
- *Frankel (1962)*
- Hall, Robert E. and Charles I. Jones (1999). "Why Do Some Countries Produce So Much More Output per Worker than Others," *Quarterly Journal of Economics*, 114:83-116
- Harrod, Roy (1939), "An Essay in Dynamic Theory", *Economic Journal* 49: 14-33.

- Kaldor, Nicholas (1963), “Capital Accumulation and Economic Growth”, In Proceedings of a Conference Held by the International Economics Association, Friedrich A. Lutz and Douglas C. Hague (editors). London: Macmillan.
- Klenow, Peter J. and Andres Rodriguez-Clare (1997). “The Neoclassical Revival in Growth Economics: Has It Gone Too Far?” NBER Macroeconomics Annual, 12:73-103.
- Lucas, Robert E. Jr., “Why Doesn’t Capital Flow from Rich to Poor Countries?” *American Economic Review*, May 1990, pp. 92-96.
- Mankiw, Gregory N., David Romer, and David N. Weil (1992). “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics*, 107:407-37..
- Phelps, Edmund S. “The Golden Rule of Accumulation: A Fable for Growthmen,” *American Economic Review*, September 1961, pp. 638-643 Oded Galor, *Unified Growth Theory* (Princeton, NJ: Princeton University Press, 2011).
- Solow, Robert M. (1956), “A Contribution to the Theory of Economic Growth”, *Quarterly Journal of Economics* 70: 65-94.
- Solow, Robert M. (1956). “A Contribution to the Theory of Economic Growth,”*Quarterly Journal of Economics*, 70:65-94.
- Swan, Trevor W. (1956), “Economic Growth and Capital Accumulation”, *Economic Record* 32: 334-361.
- Uzawa, Hirofumi (1961), “Neutral Inventions and the Stability of the Growth Equilibrium!”, *Review of Economic Studies* 28: 117-124.

Additional articles are given on the Course CD that Contains the lecture slides.

Course Assessment

- A) Each Candidate will write a review of literature in 4/5 topical areas of the course based on 7 to 10 latest working papers/and Presentation. (20%)
- B) There will be bi-weekly/Weekly drill on each of the lectures (to be handled by a teaching assistant) (25%)
- C) A Group paper on African Business Cycle (1 or 2 groups) (20%)

- D) Class Presentation and participation (10%)
- E) Final Exam (30%)
- F) Individual term paper on growth in Ethiopia or Africa on the following topics, 25 pages or less [Double space 12 font] in a model of AER/JPE, Journal of African Economies etc (30%)
- a) A Solow-Swan Model and/ or Human Capital Augmented Solow-Swan Model for Ethiopia
 - b) Ramesy-Cass-Koopman Model for Ethiopia
 - c) Endogenous Growth Model for Ethiopia
 - d) The Political Economy of Growth in Ethiopia: Politics, Institutions and Growth
 - e) Modelling Investment (or Public Private Investment Interaction) in Ethiopia
 - f) Modelling Consumption/Saving in Ethiopia
 - g) The Labour Market in Ethiopia/Africa
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Course Schedule

- 3 to 6 hours lecture per week
- To be worked out/ Flexible Modular

**Lecture Location: FBE Campus, Eshetu
Chole Building, Room 306**

Advanced Macroeconomics II

Lecture: @FBE Campus – Eshetu Chole Bld. Room 306

- Lecture 1: A Brief Review of 'Traditional' Keynesian (NCSK) Models & Method in Macroeconomics: Macro vs Micro Foundation of Macro.
[Scarth for IS/LM; AD-AS Romer, Ch 5; Heijira, Ch 12; Weeks 2013, Alemayehu 2002 and Gils (1991) article for critics]
- Lecture 2: The New Keynesian Macroeconomics/the NK DSGE Models
2.1 Micro Foundation (Incomplete Nominal Adjustment) of New Keynesian Macroeconomics
-Lucas Imperfect Information model; Mankiw's Menu Cost, Real Rigidities; Coordination failure; Imperfect competition/staggered price adjustment]
-[Romer Ch 6, 4th edn; Heijira Ch 12]
- 2.2 New Keynesian Dynamic Stochastic General Equilibrium Models/DSGE
Time Dependent DSGE Models:
- The Fisher [Predetermined Price] Model
- The Taylor [Fixed Price] Model;
- The Calvo [Stochastic Price] Model &
State Dependent DSGE Models:
- The Caplin-Spulber &
- The Danziger-Golosov-Lucas Models.
[Romer Ch 7, 4th edn; Heijira Ch 12];
- Lecture 3: Open Economy Macroeconomics: Theory
3.1 Open Economy Theory
Open economy Theory and Modelling
[Begins with Scarth/Murshed & goes to Obstfeld ch 18 & 2];
3.2 The Foreign Exchange Market/Exchange Rate Economics
Exchange Rate Determination Theories
The Over-Shooting Model
Israd, 1995; & Obstfeld, ch 4. & 10

-Empirical Application: Alemayehu *et al*: Kenyan Exchanger rate modelling.

- Lecture 4: African Open Economy Macroeconomics & The Macroeconomics of Capital Flows
-Aid/FDI/Capital Flight; Dutch Disease. Fiscal Response,
-Global models, and Place of Africa in the World
-African Economic Engagement with China and the Emerging South
(Alemayehu 2002, Ch 3, 4, 5, 6: & Alemayehu (2013) on BRICSX
- Lecture 5: Money, Inflation, Monetary Policy & Asset Price Models
5.1 Money, Inflation and Monetary Policy
-Romer, Ch 10; Heijdra Ch 11; Hibbs lectures; Vahagan's lectures /.
-Money DD and SS; Monetary Policy, & Inflation
-*Empirical Application*: Alemayehu & Kibrom on Inflation modelling in Ethiopia [A Structuralist Inflation Model]
- 5.2 Asset Price Models
- Lecture 6: Budget deficit and Fiscal Policy [Romer, Ch 11]
- Lecture 7: Structuralist/Post Keynesian Macroeconomics: An Overview
- Lecture 8: Applied African Macroeconometric Policy Modelling

Main Readings [* Very Important]

- *Alemayehu Geda (2002). *Finance and Trade in Africa: Modelling Macroeconomic Response in the World Economy Context*. Basingstoke/New York: Pallgrave-McMillan.
- *Alemayehu Geda (2013). *Fundamentals of International Economics for Developing Countries: A Focus on Africa*. Nairobi: AERC & Nairobi-McMillan.
- *Heijdra, Ben (2009). *Foundation of Modern Macroeconomics*. Oxford: Oxford University Press.
- *Israd, P. (1995). *The Economics of Exchange rate*. New York: CUP.
- *Murshed, Mansoob (1997) *Open Economy Macroeconomics*.

- *Obstfeld, M. and Kenneth Rogoff (1996), **Foundation of International Macroeconomics**, Cambridge, MA: MIT Press,
- *Romer, David (2012). **Advanced Macroeconomics**.4th Edition
- *Taylor, Lance (2004). **Reconstructing Macroeconomics: Structuralist Proposals and Critiques of the Mainstream**. Harvard: Harvard University Press.
- *Weeks, John (2013). **False Paradigm: The Irrelevance of Neoclassical Macroeconomics**. London: Edward Edgar.
- Agenor, Paul and P.J. Montiel (2008), **Development Macroeconomics**, Princeton University Press, 3rd edn (or the Agenor version 2006)
- Alemayehu Geda et al (2012). **Applied Time Series Econometrics: Practical Guide for Applied Macroeconomic Researchers with a Focus on Africa**. Nairobi: Nairobi University Press

Relevant Classic Articles

The reference in this section is based on AERC PhD program course outline, in the preparation of which I was involved. Unlike other western university such as MIT/Harvard or Oxford/Cambridge which religiously follow Obstfeld & Rogoff's book, the AERC's African focused approach is most relevant for Africa; & at the same time you will also get the flavour of what Western Universities teach from the course.

General and African Open Economy Macroeconomics

- *Obstfeld, M. and Kenneth Rogoff (1996), **Foundation of International Macroeconomics** Cambridge, MA: MIT Press, Chs. 1-3.
- *Agenor and Montiel Chs. 6 and 7
- *Alemayehu Geda (2002). **Finance and Trade in Africa: Macroeconomic Response in the World Economy Context**. London: Pallgrave-McMillan, Chs 1-5.n
- *Alemayehu Geda (2013) 'African Economic Engagement with the Emerging South/BRICX' (Background Study for African Export Import Bank, Cairo.)
- Agenor, P-R. (1990) "Stabilisation Policies in Developing Countries with a Parallel Market for Foreign Exchange: A Formal Framework" **IMF Staff Papers**, September
- Agenor, P-R. (2000), **The Economics of Adjustment and Growth**. San Diego: Academic Press.

Ajayi S. I. (1997) “An Analysis of External Debt and Capital Flight in the Heavily Indebted Poor Countries of Sub-Saharan Africa” in Zubair I. And Kanbur R. (eds) **External Finance for Low Income Countries** Washington D. C.

*Alemayehu Geda (2003) “The Historical Origin of African Debt Crisis” **East African Social Science Review**, Vol (xx):

Chhibber, A. and Stanley Fischer, eds. (1991), **Economic Reforms in Sub-Saharan Africa**. Washington, D.C.: The World Bank.

Clark P. B. (1996) “Concepts of Equilibrium Exchange Rates” **Journal of International and Comparative Economics** Vol. 20

Collier, P. and I. Gunning (1999), “Explaining Africa’s Economic Performance,” **Journal of Economic Literature**, Vol. 37, March.

Corden, W. M. (1986) **Inflation, Exchange Rates and the World Economy**. University of Chicago Press

Davidson, Paul (2000), **Financial Markets, Money, and the Real World**. London: Edward Edgar.

Edwards, S. (1989) **Real Exchange Rate, Devaluation and Adjustment** The MIT Press

Elbadawi I. And Raymudo Soto (1997) “Real Exchange rates and Macroeconomic Adjustment in Sub-Saharan Africa and other developing countries” **Journal of African Economies** Vol. 6 No. 3

Grossman G. and K. Rogoff (1995) **Handbook of International Economics** Vol. III Amsterdam: Elsevier

Helmets L. C. and Dornbusch R. (ed) (1987) **The Open Economy: Tools for Policy Makers in Developing Countries**. The World Bank, Washington D.C.

Hyuha, M. (1997) “Reflections on Forex Bureau/Parallel and Official Exchange Rates and Inflation in Uganda.” Chapter 12 of F. M. Mwega and V. Seshamani, eds. **Economic Management in Sub-Saharan Africa: Lessons from the 1970s and 1980s and Prospects for the 1990s and beyond**. Nairobi: East African Educational Publishers, 1997.

IMF (1997) “Exchange Rate Arrangements and economic performance in developing countries” Chapter 4 in IMF **World Economic Outlook** Washington: IMF

- Krugman P. and Taylor L. (1978) “Contractionary Effects of Devaluation” **Journal of International Economics**
- Lizondo J. S. and Montiel P. (1989) “Contractionary devaluation in developing countries: an analytical overview” **IMF Staff Papers** Vol. 36, pp. 182-227
- Lizondo, J. S. (1987) “Exchange Rate Differential and Balance of Payments Under Dual Exchange Rates” **Journal of Development Economics**, Vol. 26, p. 37.
- Lizondo, J. S. (1987) “Unification of Dual Exchange Rate Markets” **Journal of International Economics**, Vol. 22, p. 57.
- McKinnon, Roland (2001), “The Dollar Standard and the Sustainability of the U.S. Current Account Deficit,” at www.stanford.edu/~mckinnon/papers.htm.
- Obstfeld, M. and Kenneth Rogoff (2000), “New Directions for Stochastic Open Economy Models,” **Journal of International Economics**, February, pp. 117-53.
- Obstfeld, M. and Kenneth Rogoff (2000), “The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?”, in the **2000 NBER Mcro Annual**.
- Obstfeld, Maurice (1998), “The Global Capital Market: Benefactor or Menace?” **Journal of Economic Perspectives** (Fall), pp. 9-30.
- Pinto, B. (1989) “Black Market Premia, Exchange Rate Unification, and Inflation in Sub-Sharan Africa” **The World Bank Economic Review**, Vol.3, No. 3.
- Rodriguez and Rodrik (1999), “A Skeptics Guide to Cross-National Evidence on Growth.” **NBER Working Paper**
- The Economist (September 14, 2002)**, “Economic Focus: The Dollar and the Deficit”.
- Van Wijnbergen (1986) “Exchange Rate Management and Stabilization Policies in Developing Countries” **Journal of Development Economics**
- Williamson J. (1985) **The exchange rate system Policy Analysis in International Economics** Washington: Institute for International Economics

Monetary and Fiscal Policy

*Blanchard and Fischer Ch. 4

*Walsh (1998), **Monetary Theory and Policy**, Boston: MIT Press, Chs.1, 2, 7 and 8

*Agenor and Montiel ch??

*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, Phillip (1956), "Monetary Dynamics of Hyperinflation," in M. Friedman (1956), **Studies in the Quantity Theory of Money.** Harvard: Harvard University Press..

*Freixas, and Rochet (2000), **The Microeconomics of Banking.** Cambridge Mas: MIT Press

*Hahn, F., and B. Friedman (??) **Handbook of Monetary Economics.** North Holland. Ch 17

*Harris, L., (1981), **Monetary Theory.** New York: McGraw Hill, ch??

*Kaminsky, Graciela, and Carmen M. Reinhart (1999), "The Twin Crises: The Causes of Banking and Balance of Payments Problems," **American Economic Review.** Vol. 89(3), pp. 473-500.

*Laidler, D. (19??). **The Demand for Money; Theories, Evidence and Problems. 3d** New York: Harper and Row

*Stiglitz and Weiss (1991). Credit Rationing in Markets with Imperfect Information, AER 71(3): 153-171

Baumol, W. J.(1952) "The Transactions Demand for Cash: An Inventory Theoretic Approach" **Quarterly Journal of Economics,** Vol. 66

Friedman, M. (1969), **The Optimum Quantity of Money and Other Essays.** Wheatsheaf

Fry, Maxwell J. (1988), **Money, Interest and Banking in Developing Countries 2ed**

Goldsmith, Raymond W. (1969), **Financial Structure and Development.** New Haven and London: Yale University Press.

Gurley, J.G. and Edward S. Shaw (1960), **Money in the Theory of Finance** Washington D.C. Brookings Institution

McKinnon, Ronald I. (1973) **Money and Capital in Economic Development**. The Brookings Institution, Washington,

Oxford Economic Policy Review, *Special Issue on Financial Repression*, 1989.

Patrick, Hugh T. (1966), “Financial Development and Economic Growth in Developing Countries,” **Economic Development and Cultural Change**, Vol. 142, pp. 174-89.

Senbet and Ncube/ Aryeetey (??) AERC plenary paper on Financial Mkts in Africa

Shaw, Edward S. (1973), **Financial Deepening in Economic Development** New York: Oxford University Press

Tobin, J. (1956) “The Interest-Elasticity of Transactions Demand for Cash” **Review of Economics and Statistics**,

Inflation

*Alemayehu Geda and Kibrom Tafere (2009) ‘The Galloping Inflation in Ethiopia: A Structuralist-Monetarist Model’ in Alemayehu Geda (2012) **Readings on Ethiopian Economy**. Addis Ababa: Addis Ababa University Press.

*Ball, L. and S. Cecchetti (1990), “Inflation and Uncertainty,” BPEA #1

*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.

*Obstfeld, Maurice (2002), “Inflation Targeting, Exchange-Rate Pass-Through, and Volatility,” **The American Economic Review: Papers and Proceedings**. Vol. 92(2), pp. 102-107.

Ball, L. (1993) “Dynamics of High Inflation,” **NBER #4578**

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**.

Hyuha, M. (1997), “Reflections on Forex Bureau/Parallel and Official Exchange Rates and Inflation in Uganda,” Chapter 12 in F.M. Mwega 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.

Orphanides, Athanasios (2002), “Monetary Policy Rules and the Great Inflation,” **The American Economic Review: Papers and Proceedings**. Vol. 92(2), pp. 115-20.

Fiscal Policy

*Agenor and Montiel Chapter 3

*Romer Ch.11

*Walsh (1998), **Monetary Theory and Policy**, Cambridge MA: MIT Press, Ch. 4

*Handbook Ch. 22 and 25

*Barro, R. (1974) “Are Government Bonds Net Wealth?” **Journal of Political Economy** 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).

*Lindauer, D. L. and D. Velenchik (1992) “Government Spending in Developing Countries: Trends, Causes, and Consequences,” **World Bank Research Observer** _vol. 7, No.1.

Ariyo, A., (1993) "An Assessment of the Sustainability of Nigeria's Fiscal Deficit: 1970-90," **Journal of African Economies**, Vol., 2 Number 2 (October), pp. 262-289.

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 Economies**, Vol. 3 Number 1, April, pp. 62-92.

Stiglitz, J. (1983) "On the Relevance or Irrelevance of the Government Financial Policy" **NBER Working Paper**

Structural Macroeconomics and Macro Policy in Africa

Alemayehu Geda (2002). *Finance and Trade in Africa*. Basingstock: Palgrave-McMillan.

Foley, Duncan (19??), A Book on Advanced Macroeconomic Theory?

Taylor L.(1983) **Structuralist Macroeconomics**. Basic Books. .

Taylor, Lance (2004). **Reconstrucint Macroeconomics: Structuralist Proposals and Critics of the Mainstream**. Harvard: Harvard University Press.

FitzGerald, Valpy (2003?). **Global Markets and Developing Economies** Basingstoke: Palgrave-McMillan.

FitzGerald and Vos, R (1987). **Financing Economic Development: A Structural Approach**. London: Gower Publishers.

Davidson, Post-Keynesian Macroeconomics.

Weeks, John (2013). **False Paradigm: The Irrelevance of Neoclassical Macroeconomics**. London: Edward Edgar.

Kalecki (1971) **Dynamics of the Capitalist Economy**

Kalecki Collected Works of Michael kaleski on Mixed and Developing Economies

Taylor, L. (ed) (1990) **Social Relevant Policy Analysis**. Cambridge, MA: MIT Press

de Melo, J. and Robinson, S. (1982), **General Equilibrium Models for Development Policy**. Cambridge: Cambridge University Press.

Ekpo, A. H. (1997) “The ‘New’ Macroeconomics: How Relevant to Africa?” in **Economic Management in Sub-Saharan Africa** eds. F. M. Mwegu and V. Seshaman, Nairobi, East African Educational Publishers. PP. 8 – 27.

Frydman and Phelps E.(1984) **Individual Forecasting and Aggregate Outcomes: “Rational Expectations” Examined.** Cambridge University Press

Macro Policy/ Structural Adjustment/ in Africa

Lipumba N. H. I., Ndulu B.J. et al. ”Supply constrained Macroeconomic Model of Tanzania” **Journal of Economic Modelling**, No. 3, 1989.

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.**

Agenor and Montiel (1996), **Development Macroeconomics**, Ch. 8

Ndulu et al (2008). **The Political Economy of Growth in Africa**, 2 volumes (Cambridge: AERC and Cambridge University Press.

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.

Bamou, Ernest (1999), “Trade Liberalisation and Economic Performance of Cameroon and Gabon,” **AERC Research Paper No. 97.**

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**

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.

Killick, T. (ed), (1984) **The Quest for Economic Stabilization**, London: HEB

Course Assessment

- A) Each Candidate will write a review of literature in 4/5 topical areas of the lecture based on 7 to 10 latest working papers/and Presentation (20%)
- B) There will be bi-weekly drill on each of the lecture topics (to be handled by a teaching assistant) (15%)
- C) A Group paper (A group of 2 in each team: Eg A DSGE Model for X country) (15%)
- D) Individual term paper on lecture topics on Ethiopia or Africa , 20 pages in a model of AER, Journal of African Economies etc (20%)
Eg A DSGE Model for Ethiopia/
Kenya/Uganda/Sudan/Rwanda/Ghana
- E) Final Exam (30%)

Important Notice:

Candidates will be divided in to two groups and will prepare a lecture note (with accompanied PPT) for Lecture 5 (Monetary) & Lecture 6 (Fiscal Policy) based on Romer (2012) or any simpler but equally rigorous source. One group will also evaluate and comment on the others lecture note in class. This will be used for the next generation students that come after you. Dead line: before the end of lecture 3.

. *Other Universities which want a one semester course (such as Alemaya/Haramaya University) can take Lectures 1, 2, 4 & 6 from Macro I and 1, 2, 3 & 4 from Macro II in consultation with me. .