

**Belarus State Economic University**

**Educational institution**

**APPROVED**

The Rector of Belarus State Economic  
University, educational institution

  
\_\_\_\_\_ V.N. Shimov

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## **INTERNATIONAL MACROECONOMICS**

Syllabus for Master's program

Specialization 1-25 81 01 «International Economics and Trade Policy»

2017

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**Recommended for approval:**

by the Department of World Economy, Belarus State Economic University  
(minutes № 12 from 16.05.2017)

by the Scientific and Methodological Council, Belarus State Economic University  
(minutes № 5 from 21.06. 2017)

Responsible for editorship: Petrushkevich A.N.

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## **Explanatory note**

The course of International Macroeconomics is a main course in education of masters in international economy, as it reflects the most important macroeconomic parameters of the open economy on the contemporary step of the world economy development and regulation instruments, which are connected with the peculiarities of internationalization and globalization.

The object of the course of International Macroeconomics is study of dynamics and determination the most important macroeconomic parameters of the open economy, using various approaches and schools.

The objective of the course is to develop in masters systemic knowledge and skills in the sphere of analysis and government of economy at the macrolevel taking into consideration features of interactions in real, fiscal and monetary sectors of small open economy and external sector.

Targets of the course (implementation of requirements to qualification):

- comprehension of theoretical propositions in dynamics of the most important macroeconomic parameters of the open economy, using various approaches and schools;
- learning of the structure and content in approaches to government of the main macroeconomic parameters in the open economy;
- learning of the international practice in the governing of the main macroeconomic parameters in the open economy;
- obtaining skills in identifying of the peculiarities in dynamics and changes of the main macroeconomic parameters in the open economy and examination of their macroeconomic government.

After learning of the course master must:

***have known:***

- main issues of international economics;
- the terms of general equilibrium for closed and open economy;
- interactions in real and external sectors of small open economy and its reflection in national accounts and balance of payments;
- peculiarities of different macroeconomic models;

***be good in:***

- identifying the terms of current and long-term equilibrium for closed and open economy;
- application of the peculiarities of different macroeconomic models of various economic schools in economic tendencies' analysis;

***have skills in:***

- application of the principles of monetary and commodity markets' interaction in IS-LM model under influence of expansion or restriction of monetary and fiscal policies in economic tendencies' analysis;

- using of the principles in creation of supply and demand on money in economic tendencies' analysis;
- identifying of the content of fiscal policy, peculiarities of state budget creation and public debt government in economic tendencies' forecasting;
- application of the principles of exchange rate dynamics in economic tendencies' analysis;
- application of the Mandell-Fleming model for the small open economy in economic tendencies' analysis;
- application of the main economic identities in economic tendencies' analysis.

Total academic hours for the course – 164, including total academic hours in auditorium – 60, including 40 h – lectures, 20 h – seminars. Form of control – an exam.

# CONTENT OF TEACHING MATERIALS

## 1. Introduction

Macro issues: main aggregates, their interdependence. Macro and micro: interdependence. Macroeconomic policies.

International economics issues: trade and competitiveness, NIA and BoP, interest and exchange rates.

Macro & International: intersections and interrelations (BoP, exchange rate) Development aspects in the context of international macroeconomics: growth and development, internal and external shocks, country borrowing and debt, development models.

Schools of thoughts: mainstream and alternatives, reasons for diversity, consensus and disagreements, contemporary tendencies

## 2. National Income Accounting and Balance of Payments.

Definition of GDP and its components. GDP, GNI, national income, disposable personal income. Basic identities for closed economy.

Balance of Payments: parts and components, paired transactions, fundamental BoP identity

Basic identities for open economy

Examples of NIA and measuring BoP

## 3. National Income: sources and distribution

Output/employment determination. Production function (Cobb-Douglas)

Labour market equilibrium

Say's Law: arguments and critics

Quantity theory of money: Cambridge version. Fisher equation

Full neoclassical model

## 4. The Labour Market and Unemployment.

Keynesian and classical unemployment

The neoclassical view: Natural rate of unemployment . Frictional and Structural Unemployment

Unemployment Policy (case studies)

## 5. Money and Inflation.

The classical theory of inflation. The Quantity Theory of Money. Seigniorage. Inflation and Interest Rate

Money Demand and Supply: Equilibrium

Social Costs of Inflation.

## 6. Money Supply and Money Demand.

The Money Demand Function.

Money Supply: two Theories. The money supply determination.  
Tools (instruments) and targets in central banking. Instruments of Monetary Policy.

### **7. Fiscal Policy and Government Debt.**

The role of government spending and taxes.  
Budget, deficits, and policy issues.  
Budget multiplier, balanced-budget multiplier  
Government's debt and problems of measuring budget deficits. Debt sustainability: potential risks and benefits.

### **8. Economic Fluctuations, Aggregate Demand and the IS-LM model**

Keynes' General Theory: main propositions. Analysis of Labour Market. View on Say's Law  
Keynes' Interpretation of Quantity Theory of Money. Interpretations and development of Keynes' General Theory  
The IS-LM-model: goods market and money market equilibrium. Role of Fiscal and Monetary Policy.  
Unemployment Equilibrium in Keynesian Model: general and special cases.  
The Neoclassical Synthesis.  
The Reinterpretation of Keynes.

### **9. The Mundell–Fleming Model and the Exchange-Rate Regime**

Exchange Rate and the Foreign Exchange Market.  
Exchange Rate Theories.  
Money Supply and Money Demand in Open Economy.  
Fixed Exchange Rate and Exchange Intervention.  
Small open economies - the Mundell-Fleming Model.  
The Small Open Economy under Floating Exchange Rate: the Influence of Fiscal, Monetary and Trade Policy.  
The Small Open Economy under Fixed Exchange Rate: Policy Influence.  
Differentials in the Mundell-Fleming Model.

### **10. Balance of Payments and Interrelations in Open Economy**

Basic definitions, identities. GDP, Balance of Payments, Net Foreign Assets position  
Interrelations in an Open Economy  
Problems with Balance of Payments. Current account balances. Different views on the current account.  
Sustainability of current account deficits. Options: deficit or surplus.

## TEACHING AND METHODOLOGICAL CARD OF THE COURSE

### *«International Macroeconomics»*

Specialization 1-25 81 01 «International Economics and Trade Policy»

(Full-time master programme)

Theme number	Theme	Quantity of Academic Hours in auditorium						Testing
		Lectures	Practical classes	Seminars	Laboratory work	Self-studies	Other	
1	2	3	4	5	6	7	8	9
1	Introduction	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 2, 4, 5]	Oral test
2	National Income Accounting	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 2, 5, 10]	Oral test

3	National Income: sources and distribution	4		2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 2, 5, 10]	Oral test
4	The Labour Market and Unemployment	4		2	-	-	Компьютерная презентация, раздаточный материал, литература [2, 4, 11]	Oral test
5	Money and Inflation	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 3, 5, 6, 13, 14]	Oral test
6	Money Supply and Money Demand	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 5, 6, 7, 10, 12]	Oral test
7	Fiscal Policy and Government Debt	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 5, 6, 7, 9, 12]	Oral test
8	Economic Fluctuations, Aggregate Demand and the IS-LM model	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 5, 7, 10, 11, 17]	Oral test
9	The Mundell–Fleming Model and the Exchange-Rate Regime	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [1, 4, 5, 7]	Oral test



10	Balance of Payments and Interrelations in Open Economy	4	-	2	-	-	Компьютерная презентация, раздаточный материал, литература [4, 5, 6, 7, 12]	Oral test
	Total	<b>40</b>		<b>20</b>				Final test

## **Informational and methodical chapter**

### *Methodical recommendations for self-studies of master students on the course of International Macroeconomics*

Self-studies of master students are very important stage in obtaining the knowledge on the course. In average 2-2.5 h is recommendable for the self-studies in proportion for each 2 h of classes.

Main components of self-studies for master students are the following:

- detailed review of the course syllabus;
- examining the reading list of the course, obtaining it in the library and in different other available sources, studies of the literature on the theme and additional literature selection;
- studies on the bases of expansion the lectures' materials at expense of the special literature and consultations;
- preparations for seminars which are based on elaborated outlines with references on obligatory and additional literature;
- current testing;
- preparations for final exam.

## Reading:


### *Obligatory*

1. Blanchard O. Macroeconomics. 7th. Global ed. — Pearson, 2017. — 576 p.
2. Mankiw N. Gregory. Macroeconomics. 9th Edition. — New York: Worth Publishers, 2016. — 608 p.
3. Agénor P.-R., Montiel P.J. Development Macroeconomics. 4th Revised edition. — Princeton University Press, 2015. — 793 p.
4. Krugman P., Wells R. Macroeconomics in Modules. 3rd ed. — Worth Publishers, 2014. — 623 p.
5. Goodwin, N.R., et al. Macroeconomics in Context. 2<sup>d</sup> edit. - Armonk, New York, M.E.Sharpe, 2014. – 964 p.

### *Additional*

6. Mankiw, N. G. (2012) Macroeconomics. 8<sup>th</sup> edit. NY, Worth Publishers. – 682 p.
7. Krugman, R., Obstfeld, M. International Economics. Theory and Policy. – Pearson International Edition, 2006. – 680 p.
8. Priewe, J., Herr, H. The Macroeconomics of Development and Poverty Reduction. Strategies beyond the Washington Consensus. – Baden-Baden: Nomos, 2005. – 312 p.
9. Jha Raghendra. Macroeconomics for Developing Countries. 2nd Edition. — Routledge, 2003. – 480 p.
10. Snowdon, B., Vane, H., Wynarczyk, P. A Modern Guide to Macroeconomics. – Cheltenham: Edward Elgar, 2002. – 400 p.
11. Heijdra B.J., Van Der Ploeg F. Foundations of Modern Macroeconomics. - Oxford University Press, 2002. — 784 p.
12. Mishkin Frederic S. Macroeconomics: Policy and Practice. - Prentice Hall, 2011. — 602 p.
13. Galbács Peter. The Theory of New Classical Macroeconomics: A Positive Critique. - Springer, 2015. — 392 p.
14. Colander D. (Ed.) Post Walrasian Macroeconomics: Beyond the Dynamic Stochastic General Equilibrium Model. - Cambridge University Press – 2006, 440 pages
15. Welfens P. J.J. - Innovations in Macroeconomics , Springer-Verlag Berlin Heidelberg, 2007 - 446p.
16. Acemoglu Daron, Laibson David, List John. Macroeconomics. - Pearson Education Limited, 2015. — 432 p.
17. Gärtner Manfred. Macroeconomics. - 2nd edition. — Gosport: Prentice Hall, 2006. — 531 c.

## PROTOCOL OF COORDINATION OF THE TRAINING PROGRAM

Name of the discipline with which to negotiate	Name of the department	Proposals for changes in the content of the curriculum studied academic discipline	Action taken by the Department that developed the curriculum (with date and non-Protocol)
1	2	3	4
Macroeconomic (advanced level)	Department of economic theories	<i>No</i> Vorob, ev V.A. 	No changes are required. Protocol № 10 09.03.2017