Macroeconomics is the study of the economy in the aggregate. The analysis centers on the factors determining the level of national output, employment, inflation, and interest rates. There is considerable disagreement between various schools of macroeconomic thought about how the economy works. The differences in theory lead to different policy prescriptions. This course will provide an analytical framework to examine the macroeconomic problems, evaluate the dominant macro theories, and allow you to draw your own conclusions about how the economy functions.

READINGS
2) Selected articles in a package of readings at Kinko's.
3) It is recommended that you follow current economic news by reading articles in newspapers and magazines. The best sources of economic news are The Wall Street Journal, Business Week, and Barron's. Other good sources are The Economist, Newsweek, Time, etc.

EXAMS AND GRADING
The course grade depends upon the following three factors:

<table>
<thead>
<tr>
<th>Exam</th>
<th>Weight</th>
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<tr>
<td>Midterm 1</td>
<td>30%</td>
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<tr>
<td>Midterm 2</td>
<td>30%</td>
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<tr>
<td>Final Exam</td>
<td>40% (comprehensive)</td>
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<td>100%</td>
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In class exams will be essay tests and blue books are required. Makeup exams are not given as a matter of course policy.
OUTLINE

Introduction

I. Classical Economics
   A. Micro Foundations
   B. Output and Employment
   C. Loanable Funds
   D. Quantity Theory of Money

II. Keynesian Economics
   A. Simple Income Determination Theory
      1. Aggregate Demand
      2. Equilibrium Income
      3. Keynesian Cross, Leakages and Injections Models
      4. Fiscal Policy
   B. Keynesian Monetary Theory
      1. Money and Bonds
      2. Money Demand, Money Market
   C. IS-LM Model: Product and Money Markets
      1. LM-curve and the Money Market
      2. IS-curve and the Product Market
      3. Equilibrium and Shifts
      4. Policies and Special Cases

MIDTERM I Oct. 3

D. Aggregate Supply and Demand Model
   1. Aggregate Demand
   2. Aggregate Supply
   3. Contractual Labor Market
   4. Policies and Supply Shocks

E. Keynesian Theoretical Divisions
   1. Neoclassical Synthesis
   2. Disequilibrium
   3. Post-Keynesian

III. Monetarism
   A. Modern Quantity Theory
      1. Friedman's Money Demand
      2. Money and Income
   B. Long Run Output and Price Level
      1. Natural Rate of Unemployment
      2. Long Run Phillips Curve
   C. Monetarist and Keynesian Debate

IV. New Classical Economics
   A. Rational Expectations Hypothesis
   B. Classical Market Framework
      1. Auction Labor Market
      2. Policy Implications
   C. New Classical and Keynesian Debate

READING

Chap. 1-2
Chap. 3
Chap. 4
Chap. 5

Keynes

p. 128-148

Chap. 6

p. 142-176

Chap. 7

Chap. 8

Chap. 10

Chap. 9

Chap. 11

The Economist

Willes
Macroeconomic Theories: Summary

V. Key Macroeconomic Variables
   A. Consumption
      1. Absolute Income Hypothesis
      2. Life Cycle Hypothesis
      3. Permanent Income Hypothesis
   B. Investment
      1. Marginal Efficiency of Investment
      2. Accelerator Model
      3. Neoclassical Model
      4. Empirical Evidence and Policy
   C. Money Demand
      1. Transaction Motive Theories
      2. Store of Wealth Theories
      3. Empirical Evidence

MIDTERM II November 10

D. Money Supply

VI. Productivity and Supply-side Economics
   A. Growth and Productivity
   B. Supply-side Theory
   C. Empirical Evidence
   D. Supply-side and Keynesian Debate

VII. International Sector
   A. Trade
   B. Exchange Rates and Finance

VII. Macroeconomic Policy
   A. Fiscal Policy
   B. Monetary Policy
   C. Stabilization

*** FINAL EXAM ***
Monday, December 15, 1986
7:30 - 10:30 pm