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 at Kinko's.
3) It is strongly recommend that you follow current economic news by reading articles in the newspaper and magazines. The best sources of economic news are The Wall Street Journal, Business Week, Barron's, and The Economist. Other good sources are Newsweek, Time, etc.

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

<table>
<thead>
<tr>
<th>Exam Type</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Midterm 1</td>
<td>30%</td>
</tr>
<tr>
<td>Midterm 2</td>
<td>30%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>40% (comprehensive)</td>
</tr>
</tbody>
</table>

In class exams will be essay tests and blue books are required. There may be take-home sections to exams. Makeup exams are not given as a matter of course policy.

OUTLINE

Introduction

I. Classicals
   A. Micro Foundations
   B. Output and Employment
   C. Quantity Theory of Money
   D. Loanable Funds
   "Reading"
   Chap. 1-2

"Reading"
Chap. 3
Chap. 4
## II. Keynesian

A. Simple Keynesian Model: Product Market
   1. Aggregate Demand
   2. Equilibrium Income
   3. Fiscal Policy
   4. Consumption Theories and the Multiplier

B. IS-LM Model: Product and Money Markets
   1. Keynesian Monetary Theory
   2. IS-LM Derivations and Analysis
   3. Fiscal and Monetary Policy
   4. Investment Theories and the IS-curve

C. Aggregate Supply and Demand Model
   1. Aggregate Supply
   2. Labor Market

### MIDTERM I

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. Money Demand and the LM-curve

### IV. Rational Expectations

A. Rational Expectations Hypothesis
   1. Price Expectations
   2. Labor Market and Output

B. Criticisms of the Keynesian Theory

### V. Empirical Evidence and Policy

A. Empirical Studies

B. Policy Issues
   1. Fiscal Policy
   2. Monetary Policy
   3. Stabilization

### MIDTERM II

VI. Supply-side Economics

A. Theory

B. Application

### VII. International Sector

A. Trade Flows: Imports and Exports

B. Financial Capital Flows

*** FINAL EXAM ***

(August 14, 15)