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) Readings package available at Kinko's.
3) Recommended newspapers and magazines: Wall Street Journal, Business Week, Barron's, The Economist, Newsweek, Time, etc.

EXAMS AND GRADING
The course grade is weighted by the following factors:
Midterm 1 30%
Midterm 2 30%
Final Exam 40% (comprehensive) 100%

In borderline cases, factors such as class participation, motivation, and upward progress are considered. The midterm and final exams are essay tests. Bring bluebooks for these exams. Makeup exams are not given as a matter of course policy.

OUTLINE

Introduction
A. Background of Major Theories
B. Macro Measurement

I. Classical Economics
A. Say's Law
B. Output and Employment
C. Loanable Funds
D. Quantity Theory of Money
E. General Equilibrium

II. Keynes: General Theory
A. Income Determination
   1. Consumption
   2. Investment: MEC
   3. Equilibrium Income: Keynesian Cross
B. Keynesian Monetary Theory

1. Money Demand: Liquidity Preference  
   (p.174-188)
2. Interest Rate Theory

III. Neo-Keynesian: The Neoclassical-Keynesian Synthesis

1. IS-LM Model  
   a. LM: Money Market  
   b. IS: Product Market  
   c. Equilibrium

MIDTERM I  
October 2

2. Consumption
   a. Permanent Income Hypothesis  
   b. Life Cycle Hypothesis
3. Investment
   a. Accelerator Models  
   b. Jorgenson’s Neoclassical Model
4. Money Demand
   a. Inventory-Theoretic Approach  
   b. Portfolio Balance Theory
5. Labor Market
   a. Neoclassical Labor Market  
   b. Contractual Labor Market  

6. Aggregate Supply and Demand Model
7. Phillips Curve and Inflation

IV. Monetarism

A. Modern Quantity Theory
   1. Friedman’s Money Demand  
      p.292-295
   2. Money and Income

B. Output and Inflation
   1. Natural Rate of Unemployment  
   2. Long Run Phillips Curve

C. Monetarist Policies and Application

MIDTERM II  
November 12

V. New Classical Economics

A. Rational Expectations Hypothesis  
   (p.400-409)
B. Framework: Optimization and Equilibrium  
   McCallum
C. Policy Ineffectiveness Postulate  
   Modigliani

VI. Other Keynesian Branches

A. Post-Keynesians
B. Disequilibrium

VII. Growth and Supply-side Economics

A. Growth and Productivity
B. Supply-side Economics

VIII. International Sector

*** FINAL EXAM ***  
Wed., Dec. 16, 1987, 7:30 am to 10:30 am