SUBJECT

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 at Kinko’s On the Hill, 1313 College.
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:

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<th>Exam</th>
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<tr>
<td>Midterm 1</td>
<td>30%</td>
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<td>Midterm 2</td>
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<td>Final Exam</td>
<td>40% (comprehensive)</td>
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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. Macroeconomic Indicators

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

**II. Keynesian Economics**
- A. Keynes: General Theory
  1. Income Determination Model
     a. Consumption Function
     b. Investment: MEC
     c. Income Equilibrium
  2. Keynes' Monetary Theory
     a. Money Demand: Liquidity
     b. Interest Rate Theory

**III. Monetarism**
- A. Modern Quantity Theory
  1. Friedman's Money Demand
  2. Money and Income
- B. Output and Inflation
  1. Natural Rate of Unemployment
  2. Long Run Phillips Curve
- C. Policies and Case Studies

**IV. New Classical Economics**
- A. Rational Expectations Hypothesis
- B. Policy Ineffectiveness Postulate

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**READING**

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*** MIDTERM I ***  Monday, February 15

B. Neo-Keynesian: The Neoclassical-Keynesian Synthesis
- 1. IS-LM Model
  a. LM: Money Market
  b. IS: Product Market
  c. Interest Rate-Income Equilibrium
  d. Policies and Case Studies
  (p.142-176)
- 2. Aggregate Supply and Demand Model
  a. Aggregate Demand and IS-LM
  b. Aggregate Supply and Labor
  c. Price Level-Output Equilibrium
  d. Policies and Supply Shocks

*** MIDTERM II ***  Monday, March 21
V. Other Keynesian Divisions
   A. Post-Keynesians
   B. Disequilibrium

Summary: Macroeconomic Theories

VI. Extensions of the Models
   A. Consumption
      1. Permanent Income Hypothesis
      2. Life Cycle Hypothesis
   B. Investment
      1. Accelerator Models
      2. Neoclassical Model
   C. Money Demand
      1. Inventory-Theoretic Approach
      2. Portfolio Balance Theory

VII. Growth and Supply-side Economics
   A. Growth and Productivity
   B. Supply-side Economics

VIII. International Sector

*** FINAL EXAM ***
Wed., May 4, 1988, 7:30 am to 10:30 am

Keynon
Chap. 12
Klamer
Chap. 13
Chap. 13
(p. 366-385)
(p. 385-407)
Chap. 14
Chap. 15
Chap. 16
Chap. 17

Feldstein
Blinder