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 very different economic policy prescriptions. This course will develop analytical models of the economy, compare the leading macroeconomic theories, and examine important historical economic events and policies that have influenced the economy in the past.

READINGS

EXAMS AND GRAADING
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. Tentative exam dates are listed in the course outline. Bring bluebooks for exams.
OUTLINE

Introduction
   A. Background of Major Theories
   B. Macroeconomic Indicators

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

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

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

Summary: Macroeconomic Theories

*** MIDTERM I ***
Monday, Feb. 19

*** MIDTERM II ***
Wednesday, March 21
V. Growth and Supply-side Economics

VI. International Sector
   A. Exchange Rates
   B. Trade
   C. Open Economy IS-LM

*** FINAL EXAM ***
Friday May 11, 1990
7:30 pm to 10:30 pm