Learning Goals

Principles of Macroeconomics:

The goal of principles of macroeconomics is to provide students with a broad overview of the aggregate economy. One important goal of this course is to provide students with a good understanding of aggregate economic accounts and definitions, principally so that they can read and understand news and television reporting of the aggregate economy. In addition, students will be exposed to theories of economic growth (the “long run”) and theories of the business cycle (the “short run”).

The course should feature a heavy emphasis on the role of economic policy: monetary and fiscal policies aimed at short run stabilization, policies concerning trade and international finance, and policies aimed at promoting long run growth. A common criticism of undergraduate macroeconomic courses is that they feature very little actual economics. The course should clearly highlight the tradeoffs involved in policymaking – e.g. short run stabilization vs. long run growth, efficiency vs. equity, etc.

Given the ubiquity of coverage of macroeconomics in the national and local media, the course should feature an important “real world” component. In particular, instructors should make an effort to draw on recent periodicals and newspapers to discuss the applications of the theories and ideas to the real world.

Specific Learning Goals:

(1) Students will obtain a thorough and complete understanding of national economic accounts. They should understand the differences between real and nominal variables, how GDP is measured and constructed, how different price indexes are constructed, how unemployment is measured, etc.

(2) Students will learn the canonical AD-AS model, perhaps using the IS-LM framework as a building block for the AD side. They will learn the different things which shift demand and supply, and how these shocks affect output, its composition, and prices.

(3) Students will learn that principal division between neoclassical and Keynesian economics concerns the shape of the AS curve. Students will learn that the shape of the AS curve has implications for the desirability of active stabilization policies.

(4) Students will learn about money and its role in the economy. They will learn about the Federal Reserve System and the FOMC. They will be exposed to different theories of the monetary transmission mechanism. They will be introduced to the idea of an inflation/output tradeoff and the idea of time consistency.

(5) Students will learn about fiscal policy. They be taught the concept of the “multiplier” and given conditions under which it is “large” as well as conditions when it is “small”. They will learn about decision-making and implementation lags, as well as the role of deficits and debt and
the short-run/long-run tradeoff. They should be introduced to the concept of Ricardian Equivalence.

(6) Students will be exposed to a brief treatment of macro/finance. They will learn about the concept of present discounted value, the time value of money, basic asset pricing equations, and the term structure of interest rates.

(7) Students will learn about economic growth, chiefly through the lens of the Solow/neoclassical growth model. They will learn about the chief distinction between growth through capital accumulation and growth through technological progress. They will be exposed to policies aimed at stimulating growth.

(8) Students will learn the small open economy version of the AD-AS model. They will learn about real and nominal exchange rates, international economic accounts, trade balances, and purchasing power parity.

(9) Students may be exposed to more a cursory treatment of more advanced topics, such as the life-cycle permanent income hypothesis.