

Macroeconomic Theory and Policy (ECON 405)

This test evaluates a student's basic foundation in macroeconomic theory and its application to the analysis of current economic issues and problems. Students must be able to utilize economic theory to explain the current economic environment in which firms operate, explain key events in macroeconomic history, and predict future economic conditions.

Students who intend to take the equivalency exam to satisfy the course requirements must show evidence of a detailed understanding of the topics below and must be capable of integrating them in formal macroeconomic models. Topics may include:

- GDP, national income accounting, price indices, real and nominal GDP, unemployment and inflation, the Phillips curve, and business cycles
- Long-term economic growth and its determinants, potential GDP, labor and multifactor productivity growth, capital deepening, diminishing returns, and technological change
- Aggregate demand, consumption, saving, investment, equilibrium GDP and income, multipliers
- Fiscal policy: government spending and taxation, fiscal deficits and debt, and crowding out
- Monetary policy: money supply and demand, Federal Reserve Bank, open market operations, discount rate, reserve requirements, high powered money, money multiplier, federal funds rate, financial markets, short and long-term interest rates, monetary targets, and monetary rules vs. discretion
- Aggregate supply and aggregate demand, wages, prices, inflation, deflation and stagflation, employment and unemployment, demand and supply shocks, Keynesian, Classical, and New Classical models
- International economics: trade balance, current account, capital account, exchange rate regimes, determination of exchange rates, international capital flows and debt, exchange rate crises, and effects of fiscal and monetary policy on exchange rates and balance of payments

References:

Macroeconomics by Robert J. Gordon, Pearson, Addison Wesley, tenth edition

Format: Multiple choice