

Macroeconomic Analysis OnLine  
 Econ 506 Fall 1998  
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Course Topics	
Topic	Examples
Basic Objects	Investment (I), Output (GDP, Y), Consumption (C), Employment (N, u) Real wage (w), Real Interest rate (r), Nominal Interest Rate (i), Price Level (P), Inflation ( $\pi$ ),
Indisputable Connections	Fisher Equation: $i = \pi + r$ Bond Price/Interest rate: $P^B = 100/(1+i)$ (For 1-year, one payment \$100 bond.)
Speculative Connections	Money supply increases raise output
Large Sets of Connections: Paradigms	Keynes, Keynesian (IS-LM), Monetarism, New Classical (Real Business Cycle, Growth Model)

Connections to the Real World	
Real World Data	Examples
Events, Episodes	U.S. Financial Crisis of 1931, Volker in 1979-82, Russia in 1998
Statistical correlations and Econometric Results	There is a positive correlation between Money Supply growth in one quarter and Output growth two quarters later

Uses and Applications	
Use	Example and comments
Prediction	Prediction is the process of determining which patterns will continue to hold and which are temporary. Therefore, we need to discern existing patterns.
Decisions by Firms and Individuals	Firms need to know whether they should invest. Individuals need to know whether they should save, borrow, consume, work, etc. Knowledge of current and future circumstances is essential for these to take place.