



Pearson



Macroeconomics, 1st Edition

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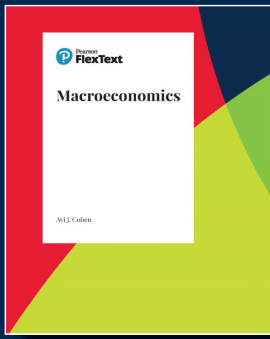
Pearson FlexText...setting you up for success in school and at work.

The study of economics requires a different style of thinking from what you may encounter in other courses. Economists make extensive use of assumptions to break down complex problems into simple, analytically manageable parts. This analytical style, while not ultimately more demanding than the styles of thinking in other disciplines, feels unfamiliar to most students and requires practice.

Our experience has taught us that what first-year economics students want most from a FlexText is help in mastering course material to do well on examinations. We have developed this FlexText to respond specifically to that demand.

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Macroeconomics FlexText Learning Objectives

Chapter 1 Scarcity, Opportunity Cost, Trade, and Models

1. Explain scarcity and describe why you must make smart choices among your wants.
2. Define and describe opportunity cost, the most important concept in economics.
3. Describe how comparative advantage, specialization, and trade make us all better off.
4. Explain how models like the circular flow model make smart choices easier.
5. Differentiate microeconomic and macroeconomic choices, and explain the Three Keys model for smart choices.

Chapter 2 Demanders and Suppliers

1. Explain why smart choices depend on marginal benefits, not total benefits, and on marginal costs, not total costs.
2. Explain the law of demand, and describe the roles of substitutes and of willingness and ability to pay.
3. Explain the difference between a change in quantity demanded and a change in demand, and list five factors that change demand.
4. Explain the law of supply and describe the roles of higher profits and higher marginal opportunity costs of production.
5. Explain the difference between a change in quantity supplied and a change in supply, and list six factors that can change supply.

Chapter 3 The Demand and Supply Model

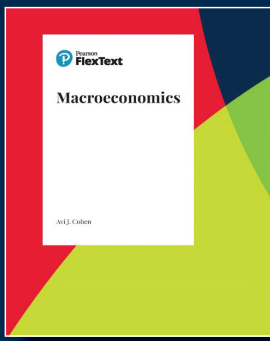
1. Describe what markets do and explain how shortages and surpluses affect market prices.
2. Summarize how equilibrium prices match quantity demanded and quantity supplied and illustrate Adam Smith's concept of the invisible hand.
3. Use the demand and supply model to predict how a change in demand or a change in supply affects equilibrium prices and quantities.
4. Predict how combined changes in demand and supply affect equilibrium prices and quantities, and describe the modelling technique of comparative statics.
5. Demonstrate the efficiency of markets using the concepts of consumer surplus and producer surplus.

Chapter 4 From Microeconomics to Macroeconomics

1. Explain how macroeconomics differs from microeconomics.
2. Describe the fundamental macroeconomic question and the hands-off and hands-on positions on market failure, government failure, and government policy.
3. Identify three key economic outcomes and five macroeconomic players whose choices produce those outcomes.

Chapter 5 GDP, Economic Growth, and Business Cycles

1. Differentiate nominal GDP, real GDP, and real GDP per person, and demonstrate how each relates to living standards.
2. Explain how to measure GDP by using value added and the equality of aggregate expenditure and aggregate income.
3. Explain how economic growth occurs and how it is measured.
4. Identify five limitations of real GDP per person as a measure of well-being.
5. Describe business cycles in terms of real GDP and output gaps as a target for policymakers.



Chapter 6 Unemployment and Inflation

1. Explain what the unemployment rate measures and misses.
2. Identify four types of unemployment, define the natural rate of unemployment, and connect unemployment to recessionary and inflationary output gaps.
3. Explain how the inflation rate is calculated and what it misses.
4. Use the distinction between nominal and real incomes and interest rates to identify losers and winners from the effects of inflation and deflation.
5. Describe the Phillips Curve and its connections to demand-pull and cost-push inflation.

Chapter 7 The Aggregate Supply and Aggregate Demand Model

1. Explain long-run aggregate supply and its relation to potential GDP and macroeconomic performance outcomes.
2. Explain the difference between a change in aggregate quantity supplied and a change in aggregate supply, and differentiate long-run from short-run effects of supply shocks.
3. Explain the difference between a change in aggregate quantity demanded and a change in aggregate demand, and list five shocks that change aggregate demand.
4. Use the aggregate supply and aggregate demand model to explain long-run macroeconomic equilibrium and steady growth in living standards, full employment, and stable prices over time.
5. Use the aggregate supply and aggregate demand model to predict changes in real GDP, unemployment, and inflation from aggregate supply and demand shocks.

Chapter 8 The Aggregate Expenditure Model and Multipliers

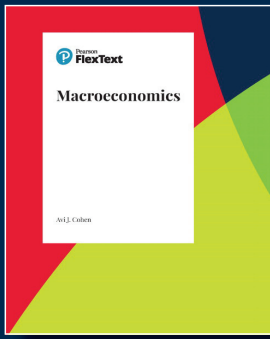
1. Use the circular flow model to explain the aggregate expenditure model, and the roles of plans, injections, and leakages.
2. Use the aggregate expenditure model to calculate equilibrium expenditure, and explain how Keynes's equilibrium model differs from Say's Law.
3. Describe the concept of the multiplier, and show how to calculate it graphically, mathematically, and in terms of injections and leakages.
4. Connect the aggregate expenditure model to the concept of aggregate demand in the aggregate supply and aggregate demand model.

Chapter 9 Exchange Rates and the Balance of Payments

1. Explain how demand and supply in the foreign exchange market determine the value of the Canadian dollar.
2. Identify five forces causing exchange rate fluctuations.
3. Trace how exchange rates cause aggregate demand shocks that affect real GDP, unemployment, and inflation.
4. Describe how purchasing power parity and rate of return parity provide standards for exchange rates.
5. Distinguish the two main parts of the balance of payments accounts, and explain why they must add up to zero.

Chapter 10 Money and Monetary Policy

1. Explain three functions of money and why people give up interest on bonds to demand money.
2. Identify four forms of money and different measures of the money supply, and describe how the Bank of Canada and chartered banks create the money supply.
3. Explain how money and loanable funds markets determine the interest rate and how the Bank of Canada uses open market operations to change target interest rates.
4. Explain how money affects real GDP, unemployment, and inflation through the domestic and international monetary transmission mechanisms.
5. Explain what blocks monetary transmission mechanisms, show how quantitative easing can overcome a balance sheet recession, and use the quantity theory of money to analyze the inflation risks of monetary policy.



Chapter 11 Fiscal Policy, Multipliers, Deficits, and Debt

1. Use the concepts of injections and leakages to explain the multiplied impact of aggregate demand fiscal policies.
2. Identify three aggregate supply fiscal policies for growth, and explain the controversy over supply-sider incentive effects.
3. Differentiate cyclical from structural deficits and surpluses, and explain the connections between automatic stabilizers and business cycles.
4. Explain the difference between deficits and debts, and identify five arguments about the national debt.
5. Distinguish between normative and positive, and between economic and political, arguments about fiscal policy.

Chapter 12 Globalization, Trade, and Protectionism

1. Describe how comparative advantage, specialization, and trade improve living standards.
2. Explain how competition creates winners, losers, and opponents to trade, and analyze three forms of protectionism.
3. Explain the pace of globalization and how to evaluate if sweatshop workers are better off with international trade.
4. Evaluate the hands-off and hands-on arguments about the role for government in the globalization debate.

Chapter 13 Controversies in Macroeconomics

1. Describe the fundamental macroeconomic question and the hands-off and hands-on positions on government policy.
2. For the loanable funds market, identify injections and leakages and explain the importance of expectations and interest rates in controversies over how well the market adjusts.
3. Explain the differing hands-off and hands-on positions on the origins of business cycles and on how markets respond following a recession.
4. Compare the hands-off and hands-on positions on monetary policy, and on aggregate demand and aggregate supply fiscal policies.
5. Explain the hands-off and hands-on arguments about the role of government in the globalization debate.