

EE312: Macroeconomics Theory:

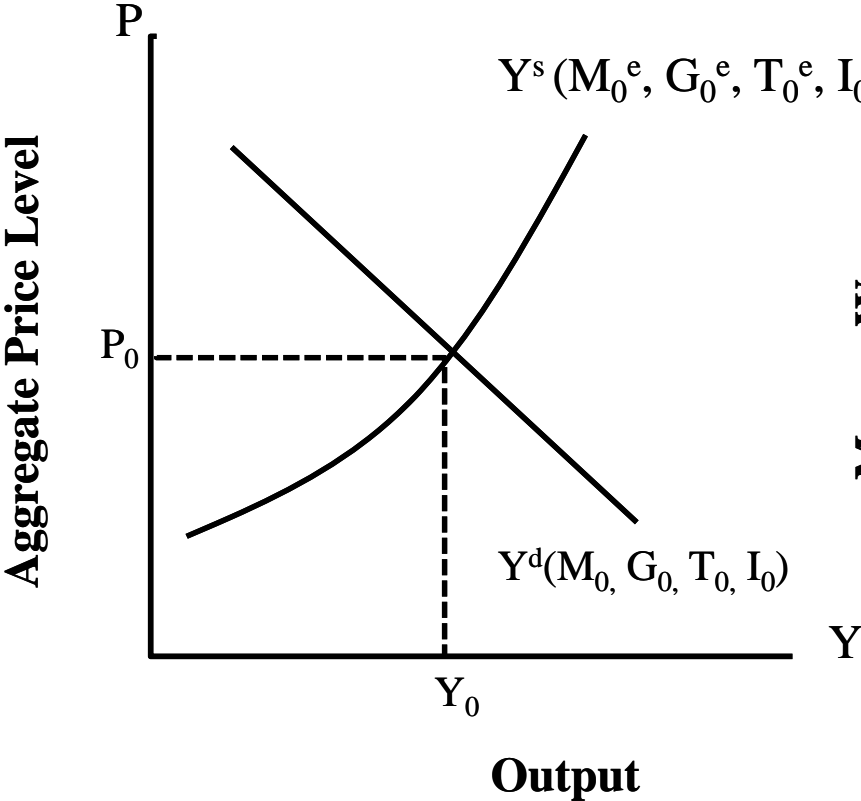
New Classical Economics

Real Business Cycles

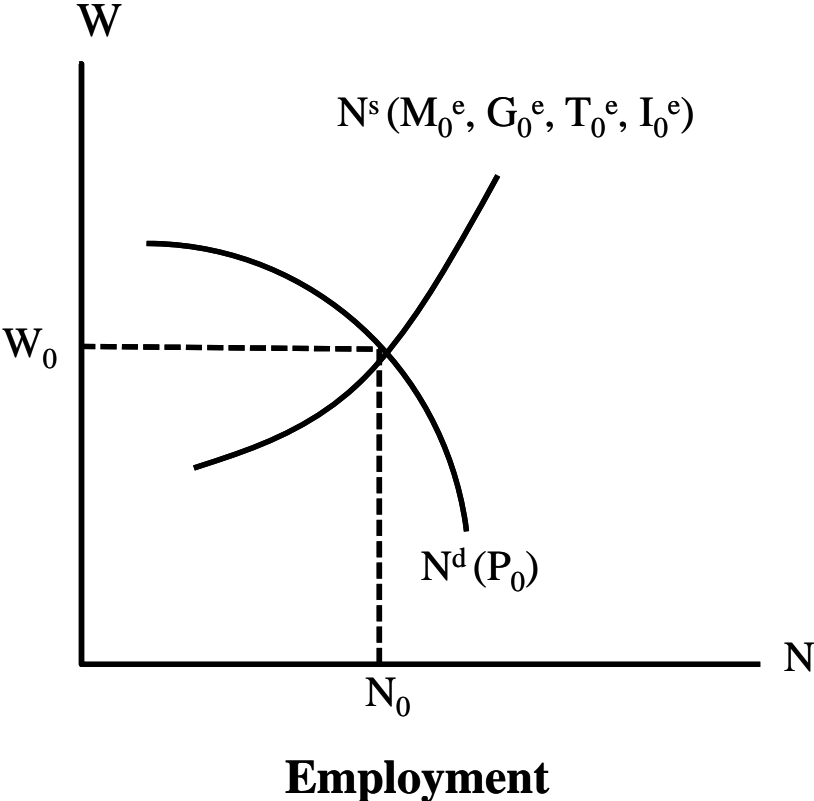
New Keynesian economics

Output and Employment in the New Classical Model

a. Aggregate Supply and Demand

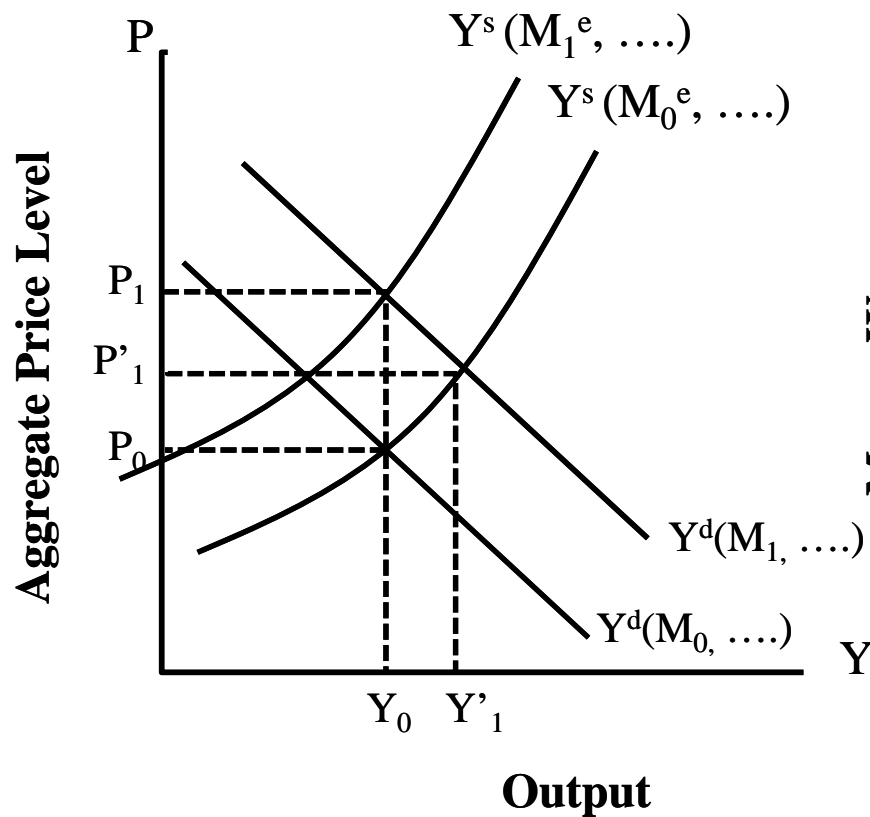


b. Labor Market

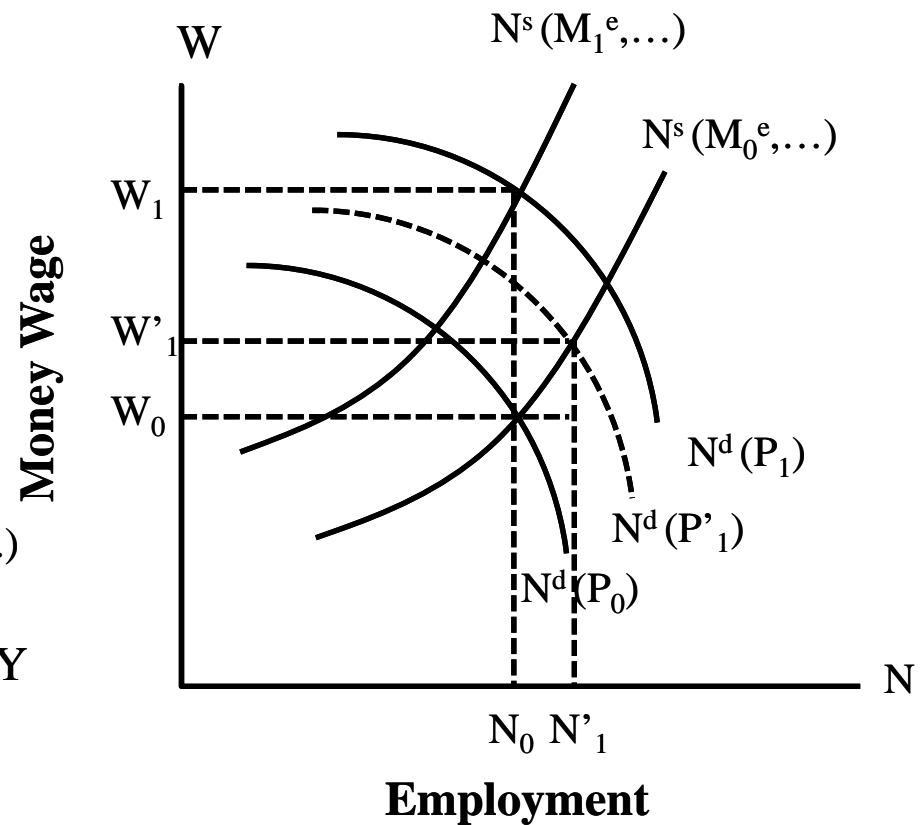


Effects of an Increase in the Money Supply: The New Classical View

a. Aggregate Supply and Demand

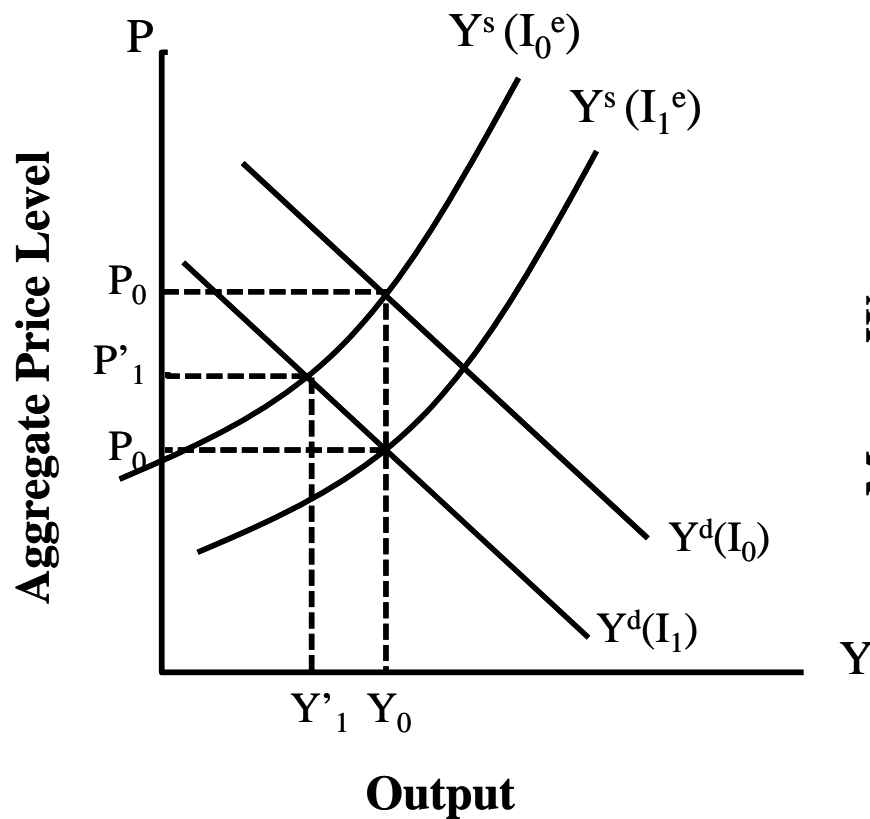


b. Labor Market

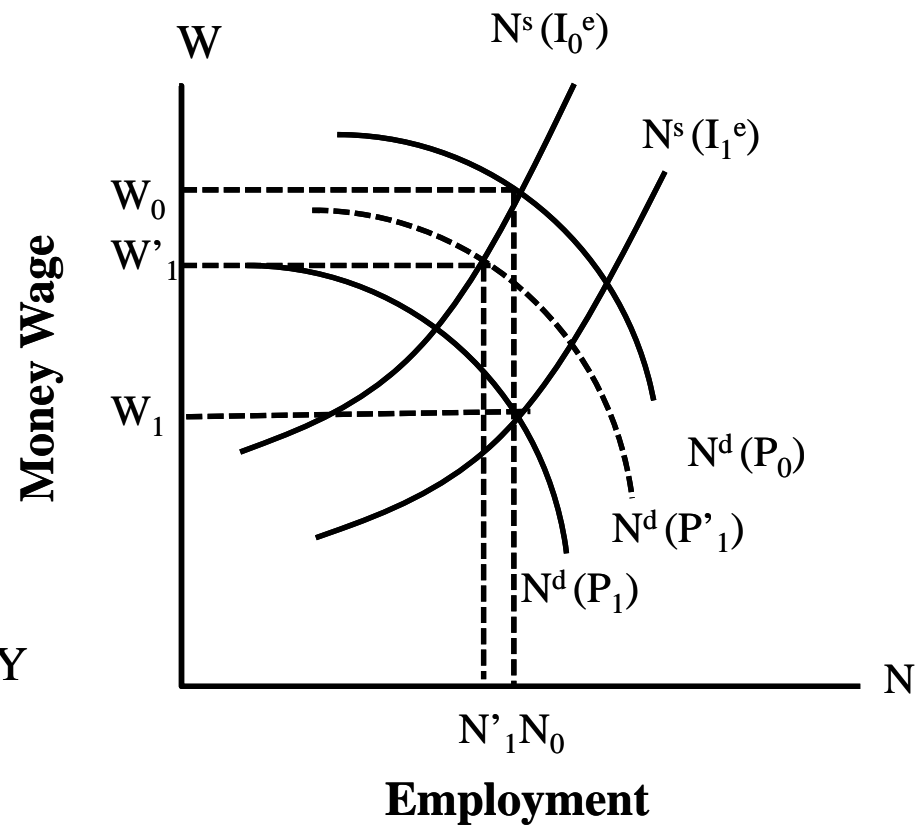


Effects of An autonomous Decline in Investment: A New Classical Model

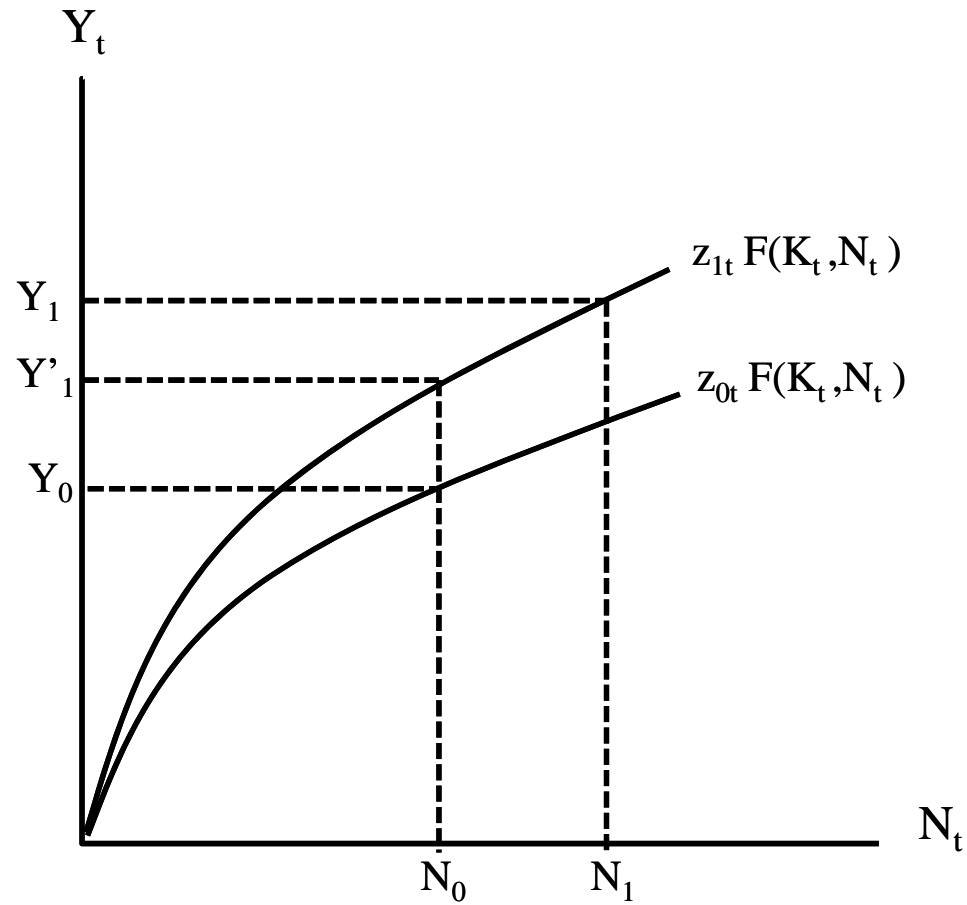
a. Aggregate Supply and Demand



b. Labor Market



The Effects of a Positive Technology Shock in a Real Business Cycle Model

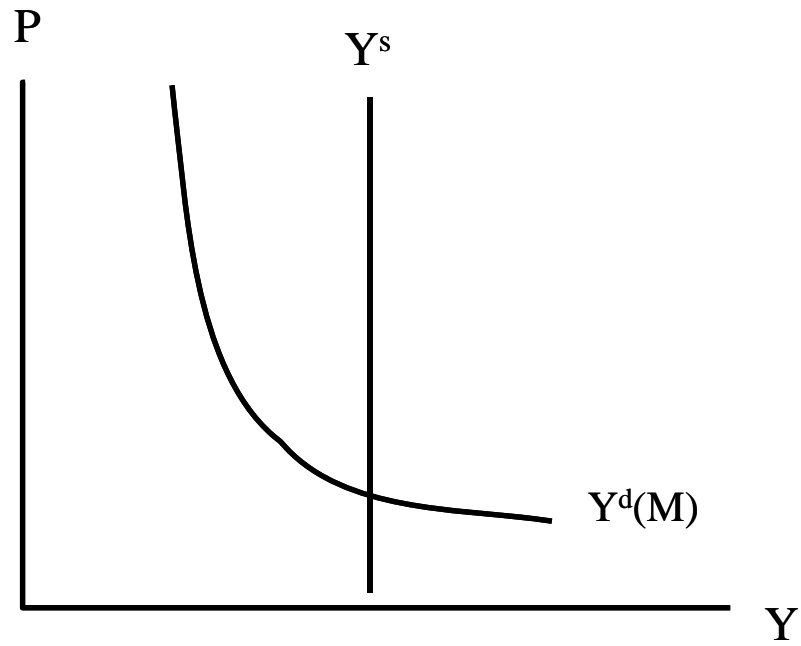


New Keynesian Economics

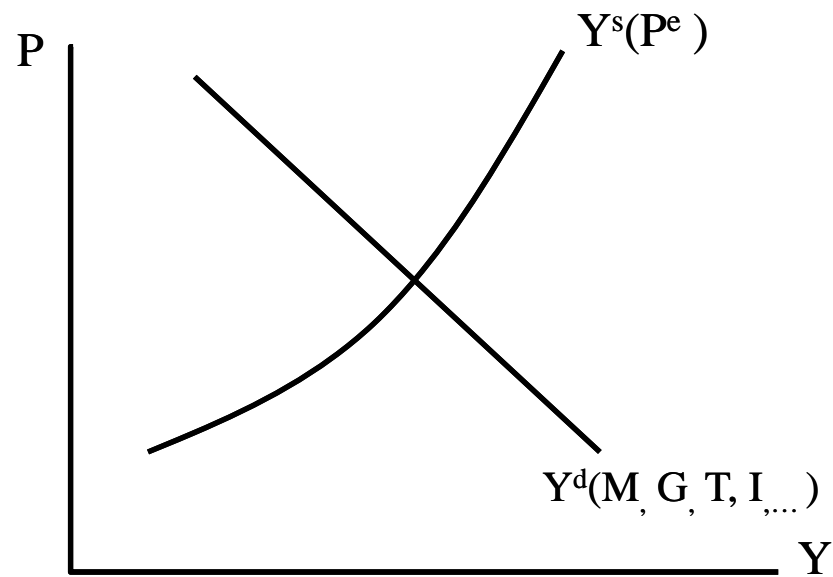
- Imperfect competition
- Product price rigidity
- Real rigidity in addition to nominal rigidity
- Three types of New Keynesian models:
 - 1. Sticky price (menu cost)
 - 2. Efficiency Wage
 - 3. Insider-Outsider

Macroeconomic Models: A Summary

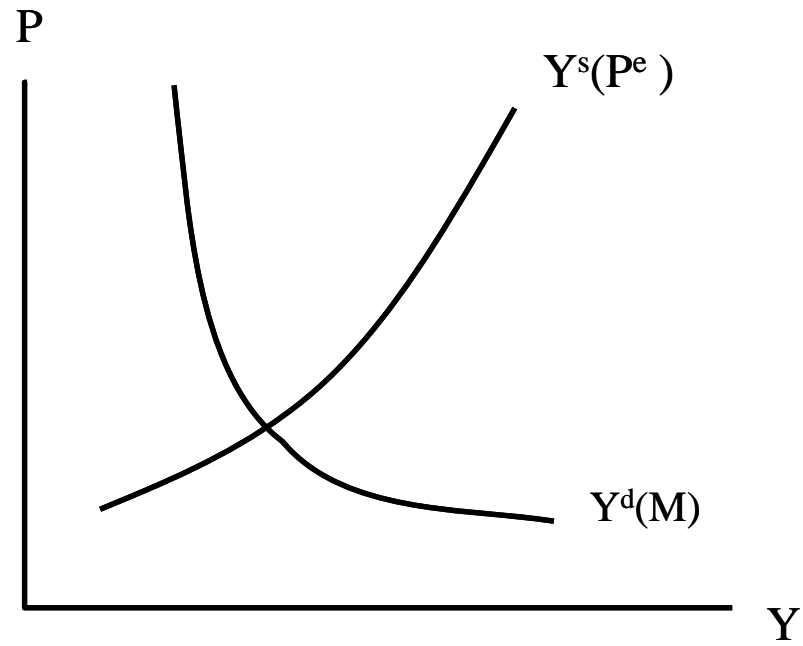
a. Classical Case



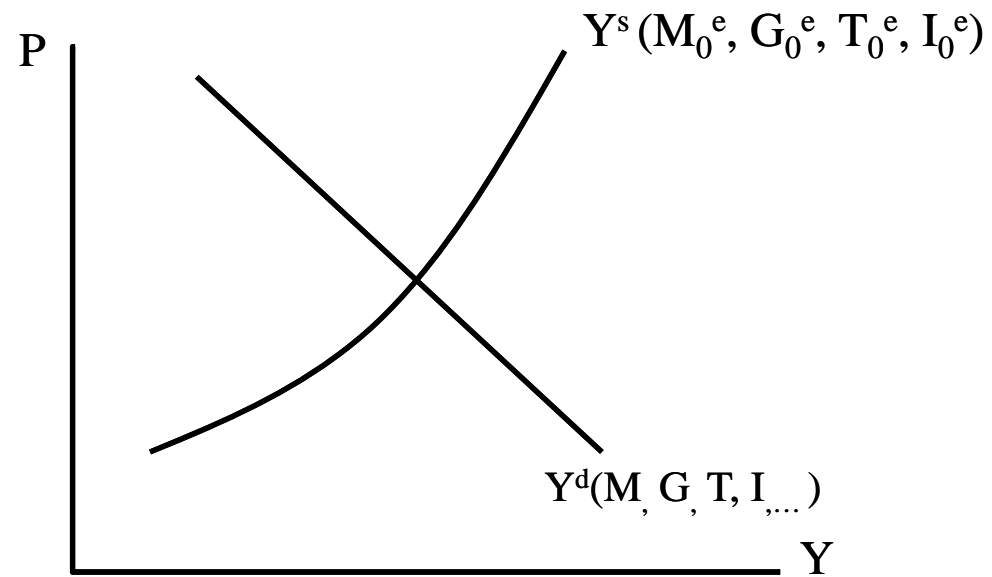
b. Keynesian Case



c. Monetarist Case



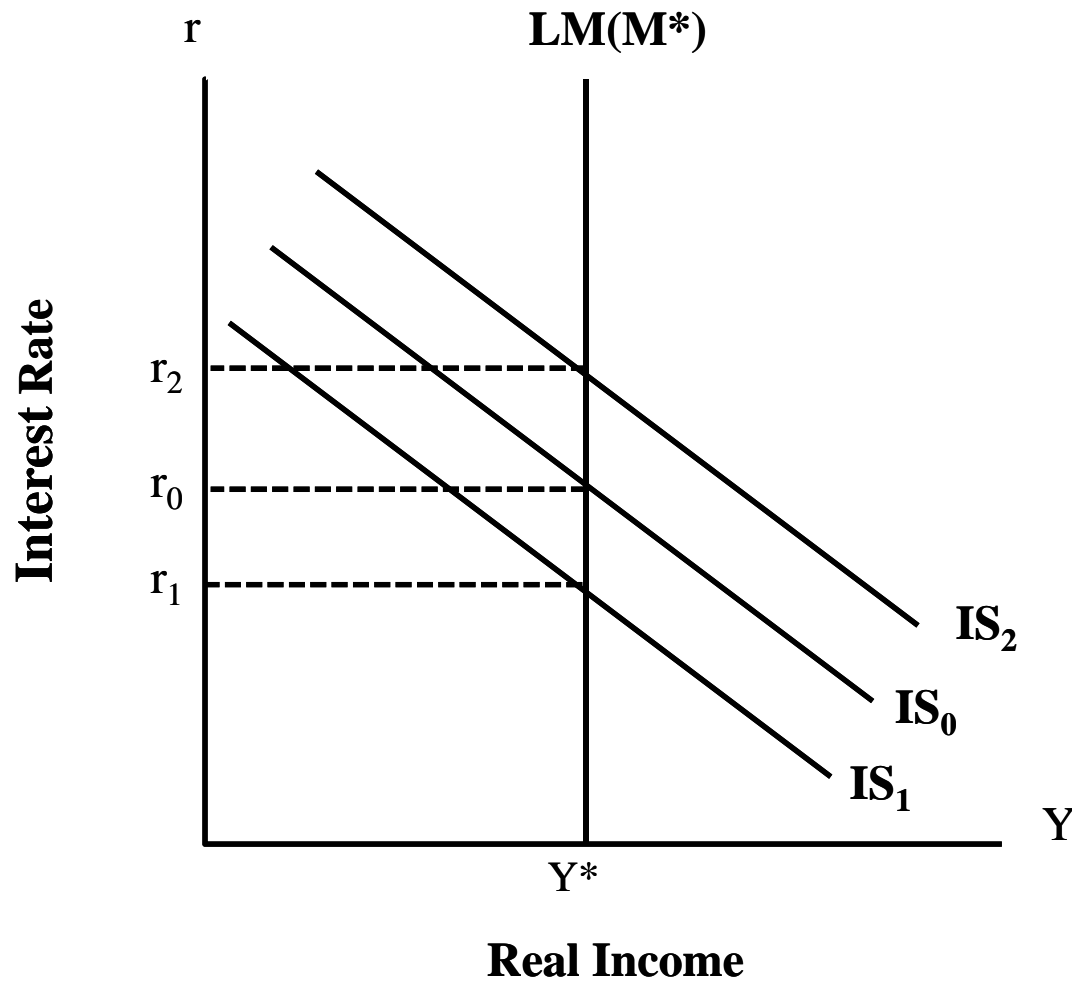
d. New Classical Case



Chapter 17

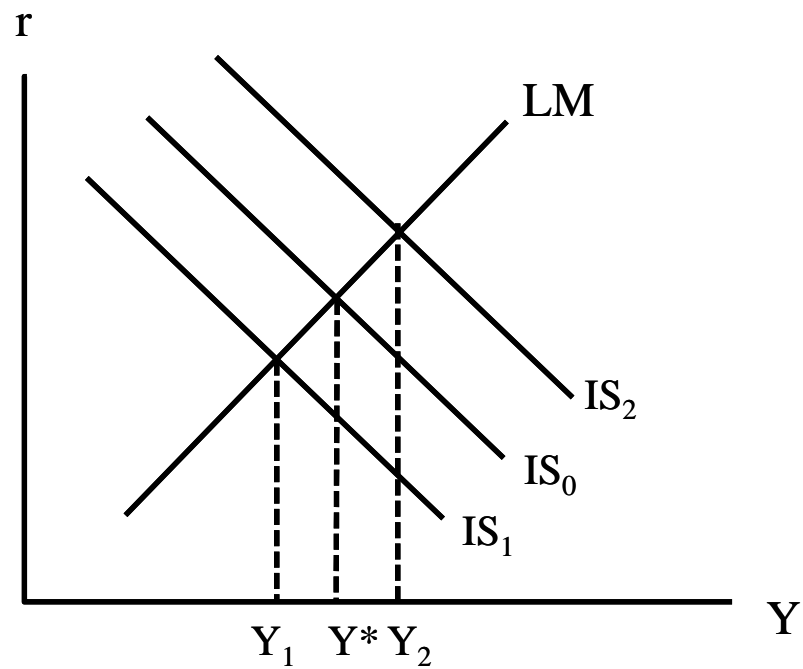
Optimal Monetary Policy

Ideal Case for Targeting a Monetary Aggregate

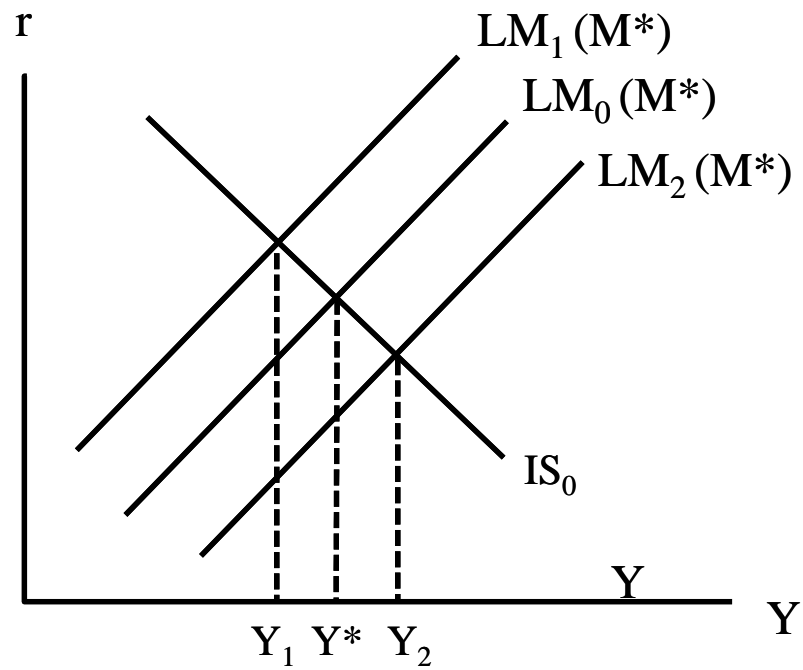


Less Than Ideal Cases for Targeting a Monetary Aggregate

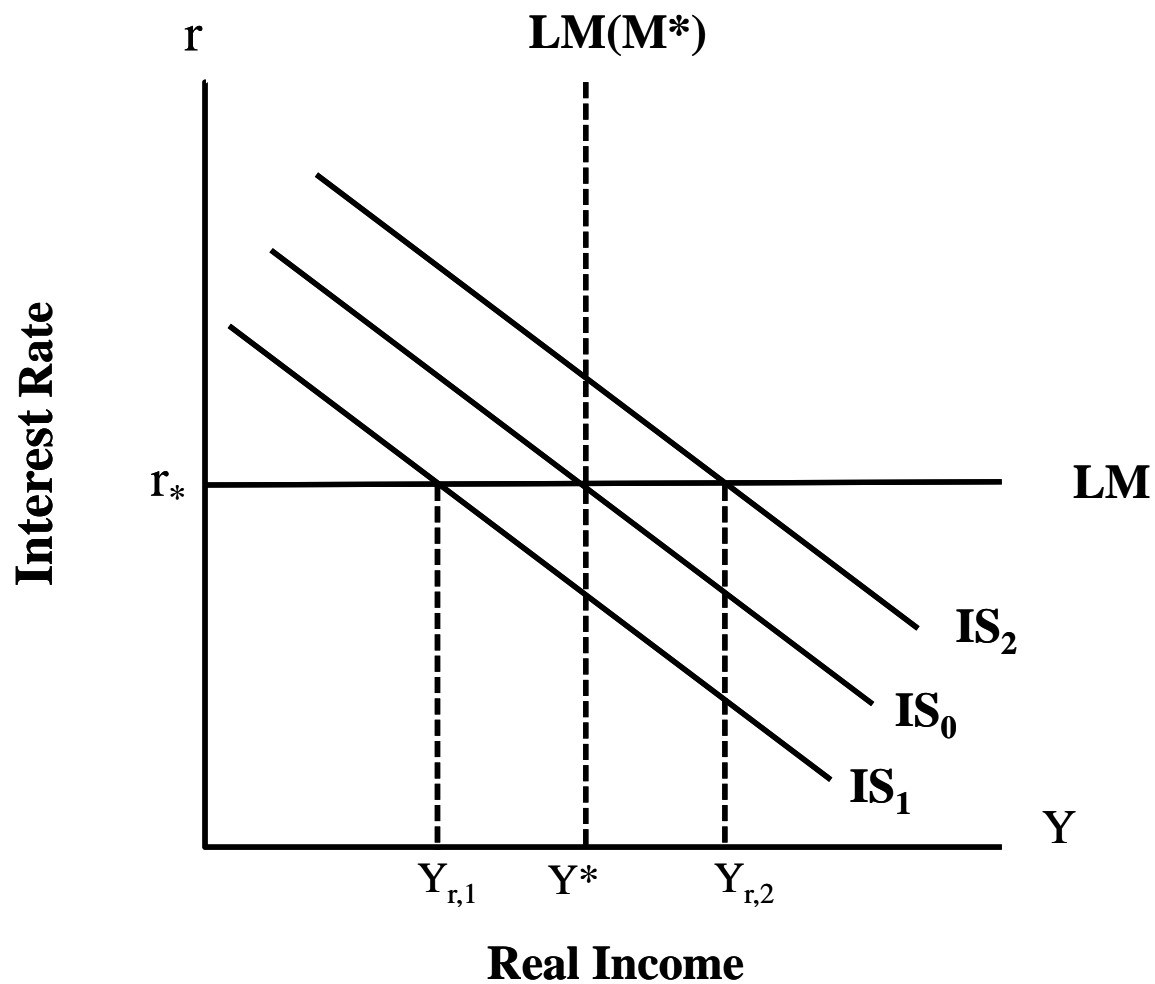
a. Nonvertical LM Schedule



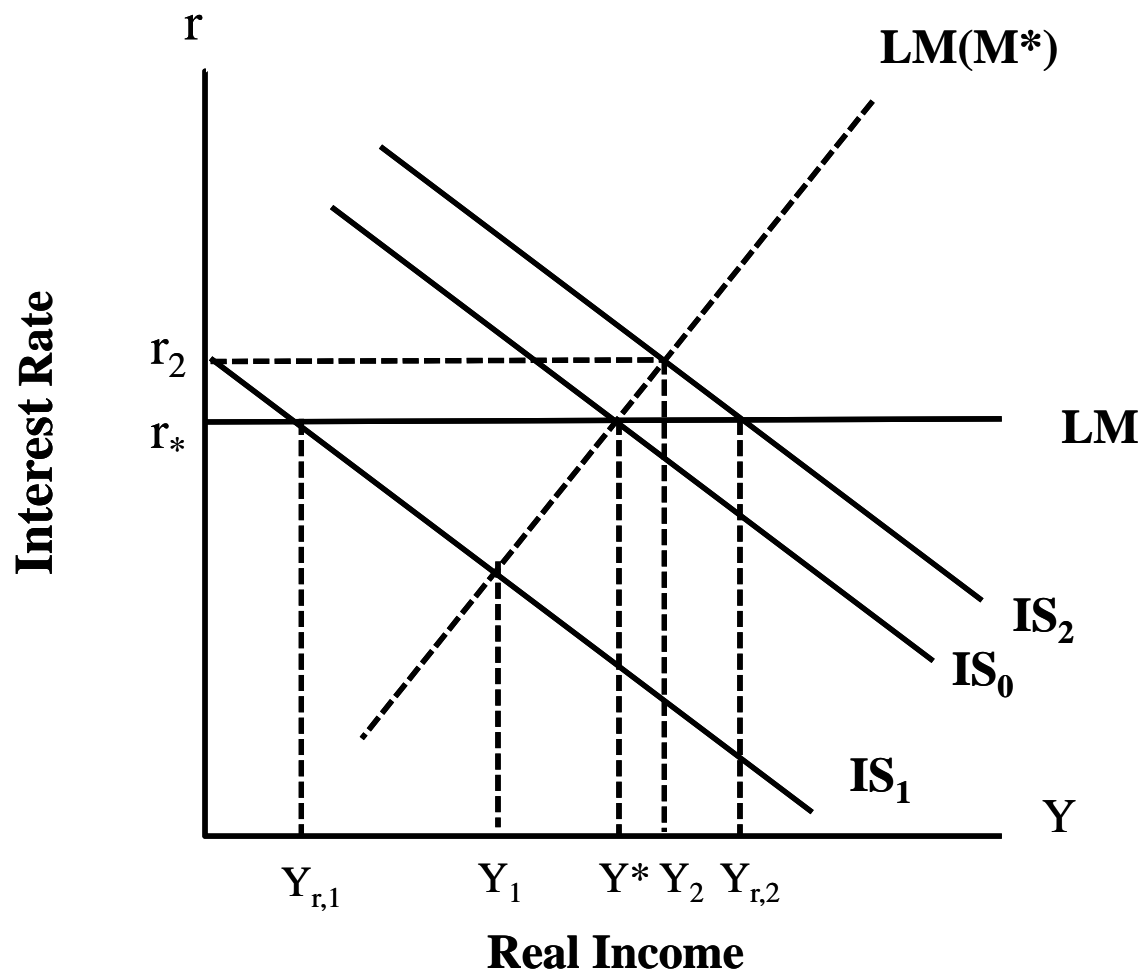
b. Unstable LM Schedule



Targeting the Interest Rate with IS Uncertainty: Zero Interest Elasticity of Money Demand



Targeting the Interest Rate with IS Uncertainty: Nonzero Interest Elasticity of Money Demand



Targeting the Interest Rate with LM Uncertainty

