

## STUDY QUESTIONS FOR MODERN MACROECONOMICS

1. Summarize the following aspects of the macroeconomic theory that you learned in your intermediate theory course:

- a. consumption function.
- b. investment function.
- c. demand for money function.
- d. derivation of IS curve.
- e. derivation of LM curve.
- f. derivation of AD curve.
- g. derivation of AS curve (short-run and long-run).
- h. determination of equilibrium output and price level (short-run and long-run).
- I. determination of employment.
- j. effect of a wage cut on employment.
- k. automatic tendency toward full employment?

2. In what ways does this theory differ from Keynes' theory, as presented in the General Theory?

3. In what ways is the modern theory of rational expectations similar to and/or different from the pre-Keynesian "classical" macroeconomic theory?

Sources: your intermediate macroeconomics textbook

Keynes, General Theory

Blaug