

20
BIL
1974

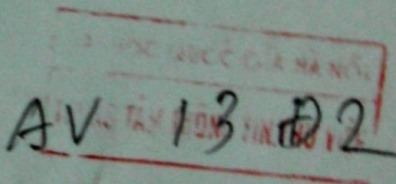
The essentials of MACROECONOMIC ANALYSIS

Richard A. Bilas

California State College, Bakersfield

Frank J. Alessio

University of Arizona



1974

BUSINESS PUBLICATIONS, INC. Dallas, Texas 75224

Irwin-Dorsey International London, England WC2H 9NJ

Irwin-Dorsey Limited Georgetown, Ontario L7G 4B3

21369

Contents

1. Introduction 1
What is macroeconomic theory? Why study macroeconomic theory? The approach of this book. What to expect in this book.
2. Some national income accounting 7
Two approaches to the measurement of national product. The notion of value added. Net versus gross investment. The calculation of gross and net national products in the United States. National income, personal income, and disposable personal income. Current and constant gross national product. Price indexes. Some weaknesses of price indexes. Interpreting the national income accounts.
3. Equilibrium analysis 24
Simple macroeconomic equilibrium. The stability of simple equilibrium. A more complicated look at equilibrium—A view ahead.
4. The simple mechanics of income determination 31
A simple model of income determination. The simple multiplier. Temporary and permanent expansions. Deflationary, expansionary, and inflationary gaps.
5. The level of consumption 54
The historical record. Classical and Keynesian theory. Three theories of the consumption function: *Absolute Income Theory*. *Relative Income Theory*. *Permanent Income Theory*. Other factors.
6. The level of investment 76
Investment and the rate of interest. Investment and the level of national income. Investment and the change in the level of income. Investment

	and the wage rate. Technology and the level of investment. Some empirical evidence.	
7.	The role of the government	95
	The historical perspective. The role of the government sector in raising the level of income. The balanced budget multiplier. Multipliers with constant tax receipts. Tax receipts fluctuating with income.	
8.	Money and the rate of interest	117
	The transaction-precautionary demand for money. The speculative demand for money. The total demand for money. Some empirical evidence. The supply curve of money. Money market equilibrium.	
9.	The goods and services sector and the money market combined	135
	The <i>IS</i> curve. The <i>LM</i> curve. Equilibrium revisited. Changes in equilibrium—Fiscal policy. Changes in equilibrium—Monetary policy. Changes in equilibrium—Other policies.	
10.	The price level	153
	The price level and the expenditures sector. The price level and the monetary sector. The price level as a variable in the monetary sector.	
11.	The employment sector—Equilibrium reestablished	164
	The employment sector. Walras' law and equilibrium. Disturbances to equilibrium.	
12.	The rate of interest: Real or monetary?	182
	The employment and expenditure sectors are self-contained. The interest rate as a real phenomenon. The interest rate as a monetary phenomenon. The interest rate as a real and a monetary phenomenon.	
13.	Additions to the model—The real balance effect	190
	The real balance effect and the level of consumption. The real balance effect and the employment sector. Real balances and the monetary sector. A digression on Say's law.	
14.	Some further additions to the model	203
	Consumption and the rate of interest. Real investment as a function of the level of real income. Real investment and the real wage rate. The bonds market. A note on money creation.	
15.	The international sector	222
	The import function. Fixed and flexible exchange rates. Adjustment with a fixed exchange rate. Adjustment with a flexible exchange rate.	

16. Aggregate supply	236
The relationship between real output and the price level. An alternative approach to aggregate demand. Aggregate demand and aggregate supply combined. The employment function. The relationship between real output, the price level, and aggregate demand.	
17. Inflation	257
Demand-pull inflation. Cost-push inflation. Employment and the price level. Inflationary equilibrium. The effects of inflation.	
18. Keynesian and Classical economics: The fundamental difference	273
The wage stop. The quantity theory of money. The Monetarist—Neo-Keynesian controversy.	
19. Some growth economics	291
The required rate of investment. The warranted rate of growth. Some general comments on growth models. Neoclassical growth theory. Economic growth and technical progress.	
20. A view of macroeconomic policy	310
Fiscal policy. Monetary policy. Wage and price controls. Fiscal lags, monetary lags, and fine tuning.	
Selected references	329
Index	337