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Abstract

This textbook is suitable for Macroeconomics undergraduate courses at introductory (chapters 1-5) and intermediate (chapters 6-9) levels for economics students, as well as for a relevant graduate course (mainly chapters 5-9) for business administration and accounting students. For reasons of comparability to the widely used approaches, the text starts with the conventional models of short-run and long-run macroeconomic equilibrium, IS-LM and AD-AS. Then follows the IS-MP model, where the LM curve is replaced by monetary policy (MP) rules of targeting the real interest rate, as it happens in real Central Bank policies and in contrast to specific monetary

targets implied by the LM curve. This approach is complemented with a dynamic version of the AD-AS model, where the AD curve represents the relationship between inflation and aggregate expenditure, and the AS curve is given by an expectations-augmented Phillips curve. In this setting, the short-run and long-run effects of fiscal and monetary policies are thoroughly discussed, and particular attention is given to policy effectiveness in the liquidity trap, that is, when the interest rate hits its lower bound. Finally, the model is extended to the open-economy case. Each chapter includes relevant questions and problems along with their full answers.

