

## **Basic Concepts**

Income and prices measurement

IS-LM

AS-AD

Short-run (SP) and long-run (LP) Phillips curve

## **Open economy**

Balance of payments

Purchasing power parity (PPP)

Fixed and flexible exchange rate systems

Perfect capital mobility under fixed exchange rate system (Mundell-Fleming model)

Perfect capital mobility under flexible exchange rate system

## **Growth theory**

Neoclassical (Solow) growth model

Endogenous growth model

## **Consumption Behavior**

Permanent income hypothesis

Life cycle hypothesis

## **Investment Behavior**

Simple accelerator theory of investment

Tobin's q ratio (investment and stock market)

Flexible accelerator theory of investment

## **Supply and demand for money**

### **Supply for money**

Definition of M1 and M2

Formulas of money supply, high powered money, currency-deposit ratio, reserve ratio, money multiplier

Instruments of monetary control (open market purchase, discount rate, reserve ratio)

### **Demand for money**

Keynes' motives for holding money

Baumol-Tobin inventory optimization model (transaction demand, M1)

Friedman-Tobin portfolio approach (speculative demand, M2, M3)

Goldfeld's (1973) empirical study of elasticities of (M1) money demand

### **Government Budget and Debt**

Structural and cyclical budget deficit

Barro-Ricardo equivalence theorem

Supply side economics and Laffer curve

Social security

### **Competing School of Thoughts**

Old classical vs. Keynesian macroeconomics

Monetarism

#### **New classical macroeconomics**

Rational expectations

Real business cycle (RBC) model

#### **New Keynesian macroeconomics**

##### ***Nominal rigidity***

Menu cost

Overlapping staggered labor contracts

Insider-outsider model

Coordination problem

##### ***Real rigidity***

Efficiency wage model

### **Miscellaneous**

Inflation: causes and costs

Deflation: causes and costs

Transmission mechanism