

ECO 2013 – PRINCIPLES OF MACROECONOMICS
CHAPTER LEARNING OBJECTIVES

CHAPTER 8
THE BUSINESS CYCLE

The Macro Economy Today, 11th edition by Bradley R. Schiller

As you read through Chapter 8 of the assigned textbook, use these objectives as a guide for note taking. Yes, I really expect you to read this chapter! Yes, I really expect you to take notes on what you are reading about within this chapter! That's how you LEARN new subject material! Provide an "answer" to each of the learning objectives listed below, and then cross-reference this list with the in-class lecture notes that you've taken on this chapter. Of course there will be some overlap in the coverage of topics! If it's important for you to know after reading this chapter, then it's on the list below. Remember, I use the lecture period to highlight super-important concepts and to relate them to current events. You HAVE TO read along in the textbook if you want to acquire all of the information you will need for testing purposes!

After a careful reading of Chapter 8, the student is expected to be able to:

- (1) Discuss American economic life during the 1920s.
- (2) Discuss American economic life during the 1930s.
- (3) List the 3 central macroeconomic questions that emerged in the aftermath of the Great Depression.
- (4) Define the term *business cycle*.
- (5) Define the term *laissez faire*.
- (6) Explain how the economy "self-adjusts" to deviations from its long-run growth trend.
- (7) Explain the two cornerstones of classical optimism.
- (8) Discuss the nature of Say's Law.
- (9) Explain what economic event led to the demise of Classical Economics as the dominant macroeconomic theory.
- (10) Explain why John Maynard Keynes viewed the macro economy as inherently unstable.
- (11) Discuss why type of government intervention Keynes advocated.
- (12) Recreate a picture of the stereotypical business cycle.
- (13) Using Figure 8.3 on page 148 of the text, discuss historical real business cycles in the US.

- (14) Discuss the economic severity of the Great Depression.
- (15) Discuss the macroeconomic impact of World War II.
- (16) Discuss the macroeconomic impact of the Post-War years in America.
- (17) Define the term *recession*.
- (18) Define the term *growth recession*.
- (19) Discuss the macroeconomic impact of the 1980s in America.
- (20) Discuss the macroeconomic impact of the 1990s and 2000s in America.
- (21) List the 5 basic macroeconomic outcomes.
- (22) List the three determinants of macroeconomic performance.
- (23) Define the term *Aggregate Demand*.
- (24) Discuss the three reasons why the AD curve is a downward-sloping curve.
- (25) Define the term *Aggregate Supply*.
- (26) Discuss the two reasons why the AS curve is an upward-sloping curve in the short run.
- (27) Define the term *macro equilibrium*.
- (28) Discuss the two potential problems with a macro equilibrium.
- (29) Tell some stories (and illustrate on a graph) about the macro impact of a shift in AD.
- (30) Tell some stories (and illustrate on a graph) about the macro impact of a shift in AS.
- (31) Discuss the following theories on short-run macro instability: Keynesian Theory, Monetary Theory, Supply Side Theory, and Eclectic Explanations.
- (32) Explain how the long-run perspective views AD shifts as merely a temporary economic problem.
- (33) Explain the shape of the Long-run Aggregate Supply curve.
- (34) Discuss the step-by-step process for government officials to attempt to “tame” the business cycle.