

# The substance of macroeconomics

## Macroeconomic Policy API 5125

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Lecture 1

# Objectives for this block of classes

as listed in the course outline

- 1 Macro-economic variables
- 2 National Income Accounting
- 3 Gross Domestic Product
- 4 Unemployment
- 5 Inflation

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## *Today's class*

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- 1 An overview of the evolution of one important macro economic variable
- 2 A bit of history of thought and its relation to public policy

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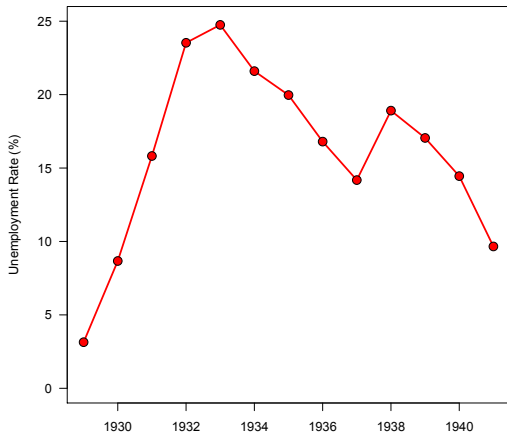
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- 1 An overview of the evolution of one important macro economic variable
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Is unemployment a problem?

# The Great Depression

Figure 1: Unemployment rates rose sharply after 1929 (in the US, but also elsewhere)



Unemployment rate in the United States during the Great Depression

Source: <http://www.u-s-history.com/pages/h1528.html>



John Maynard Keynes

# John Maynard Keynes

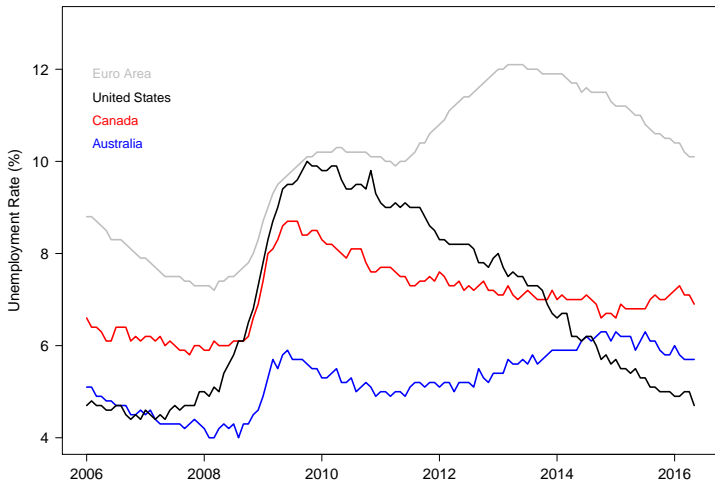
born in 1883, died in 1946, and wrote *The General Theory of Employment, Interest, and Money* in 1936



The same issues are debated today

# The Great Recession

**Unemployment rates in the rich countries rose sharply after September 2008**

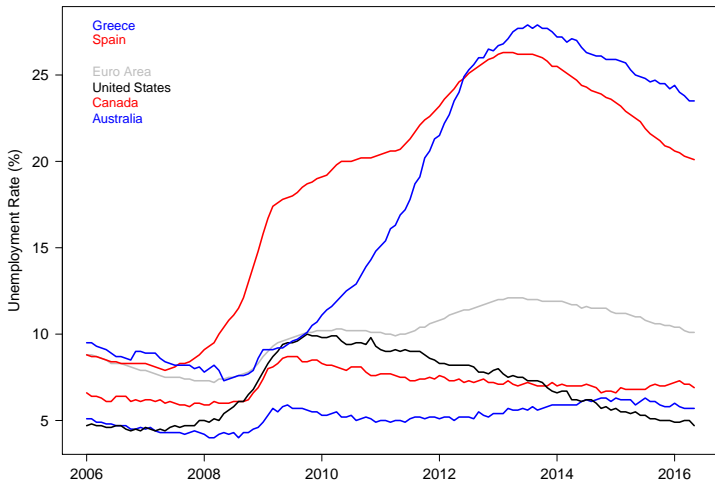


Source: OECD.stat

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# The Great Recession

## Unemployment rates in the rich countries rose sharply after September 2008



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# Is this positive economics, or is it normative economics?

# A definition of the subject

what is macro-economics?

Could Keynes and Pigou ever be friends?

I always think about Pingu and his new friend whenever I talk about Pigou and his battle with Keynes

<https://www.youtube.com/watch?v=uJIWLVgozVs>

-  Robert H. Frank, Ben S. Bernanke, Lars Osberg, Melvin Cross, Brian MacLean  
*Principles of Macroeconomics. 4th Canadian Edition.*  
Toronto: McGraw-Hill Ryerson, 2012.
  
-  Tim Harford  
*The Undercover Economist strikes back: How to Run or Ruin an Economy*  
New York: Riverhead Books, Penguin, 2013.