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“ What instructors are saying ”

“ **Great textbook.** ”

—**STEVE DAVIS**, *University of Chicago School of Business*

“ **It is the best macroeconomics textbook** ”

on the market in my opinion and I use it in all the macroeconomics courses I teach. The part on the crisis is brilliant and my students love it.”

—**IRASEMA ALONSO**, *Yale University*

“ **The strength of this book is that it** ”

succinctly presents the major topics in a clear and sequentially congruent manner. It tells a streamlined story and fits all the major pieces into a coherent whole. . . . Prior to switching to Jones, the consistent feedback from students is that they found the Solow model to be the most difficult to grasp. I am pleased to say that it is no longer the case since I adopted Jones. . . . ISMP analysis is excellent. (I am not looking back.)”

—**VIC VARCARCEL**, *Texas Tech University*

“ **Personally, I love the growth chapters.** ”

As for the short-run chapters, I like setting up the simple ISMP diagram first and then adding nuance. Strengths of the text?—Simplicity without sacrificing content in dealing with cycles. A real appreciation of the importance of trend growth. . . . I will continue to use the Jones text. I think that the level is just right for my classes, and the basic structure makes it easy to “bolt on” new material that comes up.”

—**DIETZ VOLLRATH**, *University of Houston*



The most modern coverage of macroeconomics

The Long Run

Macroeconomics is the only text that presents modern growth theory as researchers in the last 25 years understand it, with complete, accessible coverage of the Romer model and more accurate and appropriate presentation of the Solow model.

The Short Run

Macroeconomics uses a logical, straightforward short-run model that more accurately describes Fed behavior and is more intuitive for students: ISMP. New chapters on the ongoing economic crisis and the microfoundations of macroeconomics offer even more short-run coverage.

“ I appreciate the combination of rigor and clarity the text provides.

I appreciate how Jones clearly develops the long-run models. He concisely shows how the production model is refined and extended into the Solow growth model and how the Solow growth model is refined and extended into the endogenous growth model (a very useful exercise for students of economics). In each case he has a number of useful numerical examples that utilize inter-country comparisons that get students thinking about the relative position of the U.S. He succinctly deduces a short-run model from the long-run model.”

—Anthony Laramie, *Boston College*

“ Chad Jones’s text is a wonderful modern treatment of macroeconomics.

Its discussion of growth is by far the best around, with its theory-based yet data-intensive approach. Since students also seem to like it better than the other books—and I have tried the main competitors—I am all set!”

—Per Krusell, *Princeton University*

“ The move to ISMP was not too bold. Frankly, I had been waiting for years for somebody to do this at the intermediate level. . . .”

—Mark Siegler, *California State, Sacramento*

“ A great strength of the presented short-run model is the explicit recognition of expectations formation in price setting (AS curve). This greatly assists talk about dynamics and implications of credibility of policy. Working in inflation-output gap space is appealing.”

—Bruce Preston, *Columbia University*

Up-to-date coverage of the economic crisis

The Great Recession is the most important economic event since the Great Depression. *Macroeconomics* treats it with the importance it deserves, with up-to-date examples throughout the text and two complete chapters on the crisis and its impact.

“**The economic crisis chapters are very helpful resources**—I usually have 2–3 lectures solely devoted to current events. I am teaching intermediate macro for the fourth time using Jones’s textbook. It is great!”

—Nune Hovhannisyan, *University of Colorado*

Expanded coverage of the microfoundations of intermediate macroeconomics

Macroeconomics has greatly expanded its coverage of financial markets and fiscal policy, especially in the new chapters on the crisis. Also, **the text has two new chapters, one on consumption and the other on investment**, both of which reflect Chad Jones’s modern view of macroeconomics.

“**Jones turns an infinite horizon model into a two-period problem**, and uses the much simplified framework (featuring the Euler equation) to teach undergraduate students the intertemporal consumption model. I find his approach quite appealing. The end product is easy enough for students to understand.”

—Wei Xiao, *Binghamton University*

“**The investment chapter is very well executed**. Chad Jones does a good job in explaining the intuition behind the arbitrage equation without relying on the use of calculus. In this chapter, students can learn using the intuition behind the equations and also understand the decision through simple graphs.”

—Fabio Milani, *University of California, Irvine*

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NEW! CHAPTER 16: Investment

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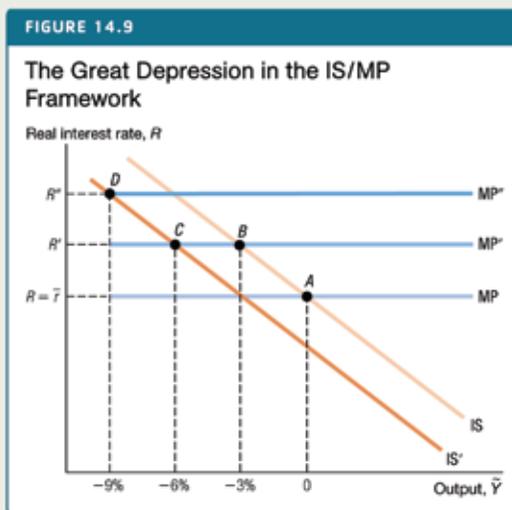
Worked Exercises in Every Chapter



WORKED EXERCISE

2. The Great Depression:

- (a) When the Fed tightened monetary policy in 1928–29, it raised interest rates. In Figure 14.9, this is shown in the movement of the economy from point *A* to point *B*, which caused a small slowdown in economic activity by reducing investment.
- (b) The stock market bubble then popped, which created tremendous uncertainty in the economy, further reducing consumption and investment. This is modeled as a negative aggregate demand shock (a lower \bar{a}_c and \bar{a}_i),

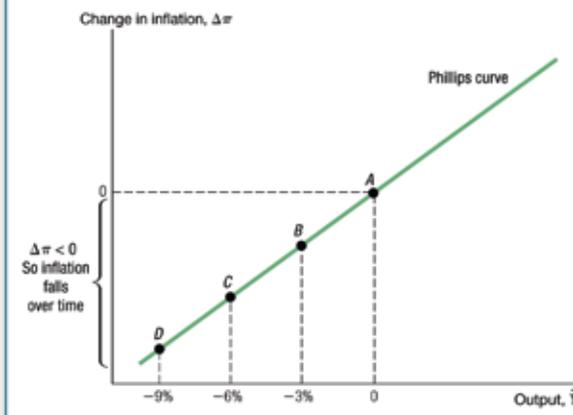


which shifts the IS curve down and to the left, depressing economic activity further as the economy moves from *B* to *C*.

- (c) The Phillips curve is shown in Figure 14.10. The recession in the economy caused the inflation rate to decline. Because the inflation rate was already approximately zero, the decline through the Phillips curve led to *deflation*—a negative inflation rate.

FIGURE 14.10

The Phillips Curve and the Great Depression



- (d) If the Fed had left the nominal interest rate unchanged, then the deflation would have caused the real interest rate to rise even further. To see this, recall the Fisher equation, $i_t = R_t + \pi_t$, which can be rearranged to yield $R_t = i_t - \pi_t$. If i_t does not change, then a decline in π_t will cause the real interest rate to increase. This is shown in the original IS/MP diagram in Figure 14.9 by another shift up in the MP schedule. The economy moves from *C* to *D*, causing yet another decline in short-run output. The combination of these three factors caused a large shortfall in output—that is, the Great Depression.
- (e) This exercise reveals how a sequence of events can conspire to reduce GDP below potential by a significant amount (the exact numbers in this exercise—the -3 percent, -6 percent, and -9 percent—are just examples). Moreover, we see the vicious circle between deflation and depression that can continue to push the economy further below potential unless some other change breaks this dynamic. In the actual Great Depression, the Fed devalued the dollar by breaking from the gold standard, which is essentially an “unconventional policy” that allowed the Fed to increase the money supply substantially and create some inflation, ending the deflationary spiral.

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ANTHONY LARAMIE, *Boston College*

Revised and updated to include the new chapters, the Instructor's Manual contains chapter overviews, sample lectures, and answers to end-of-chapter exercises. It also includes "excursions," which expand on case studies in the book and introduce new case studies, as well as articles and data that can be used as handouts in class.



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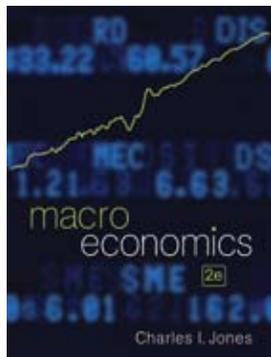
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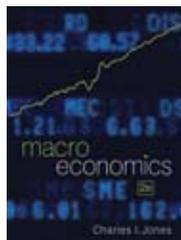
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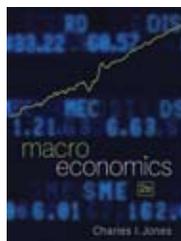


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