

ECON 204 – Macroeconomic Theory II
Lecture 19th Feb. 2025

Chapters 1 & 2

Introduction and
Measurement Issues

Ebru Voyvoda

Macroeconomics

Sixth Edition



Copyright © 2018, 2014, 2011 Pearson Education, Inc. All rights reserved

Macroeconomics?

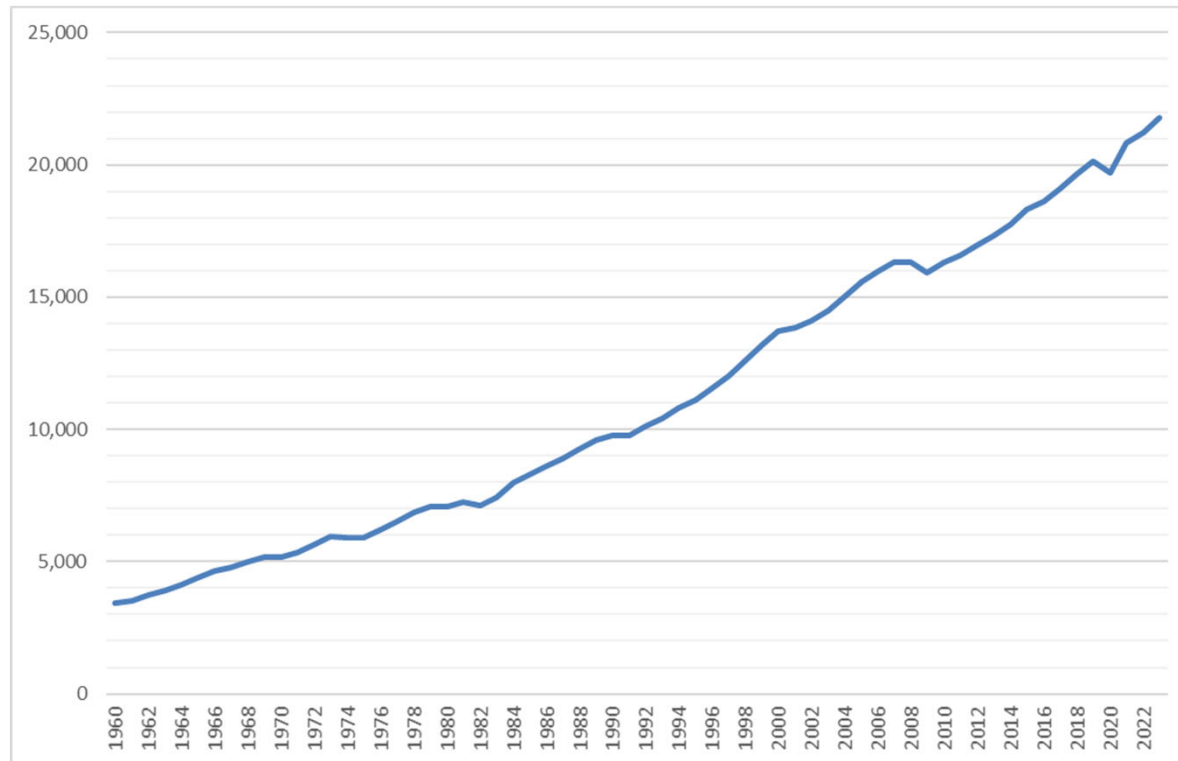
Macroeconomics?

- Models/theories built to explain macroeconomic phenomena.

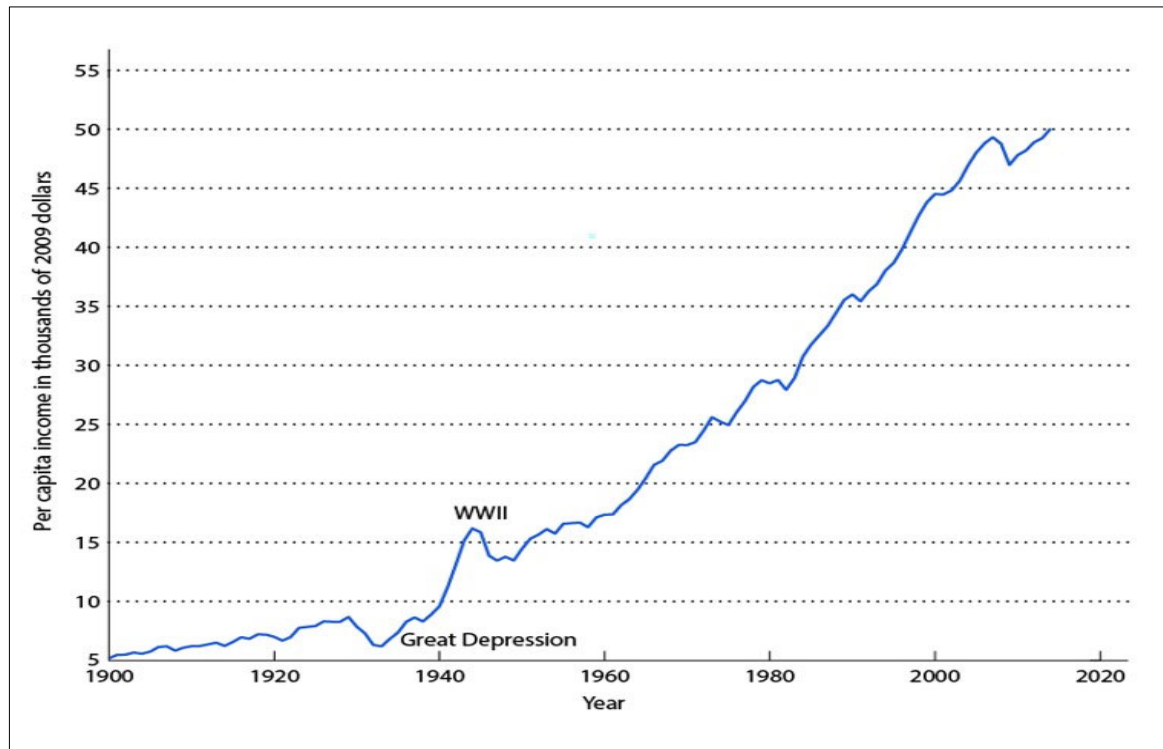
Macroeconomics?

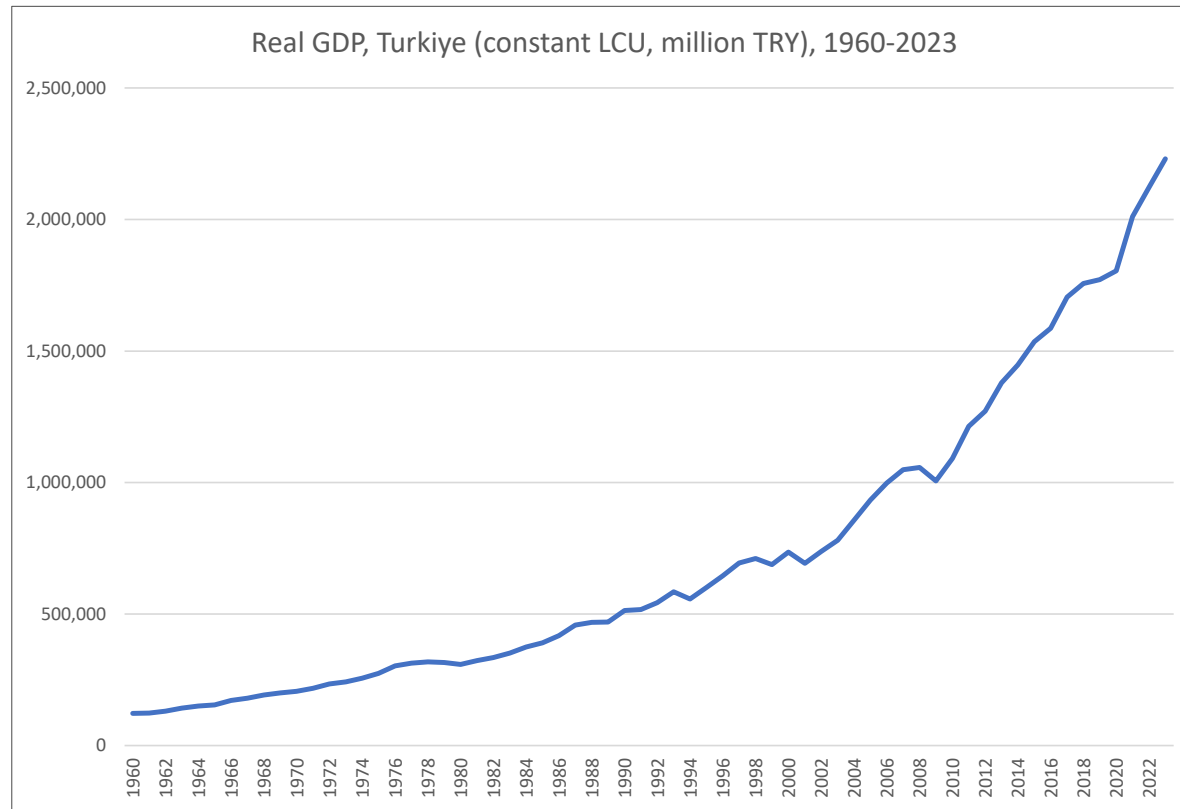
- Models built to explain macroeconomic phenomena.
- The important phenomena are *long-run growth* and *business cycles*.
- Approach in this book is to build up macroeconomic analysis from microeconomic principles.
- A **macroeconomic model** captures the essential features of the world needed to analyze a particular macroeconomic problem.

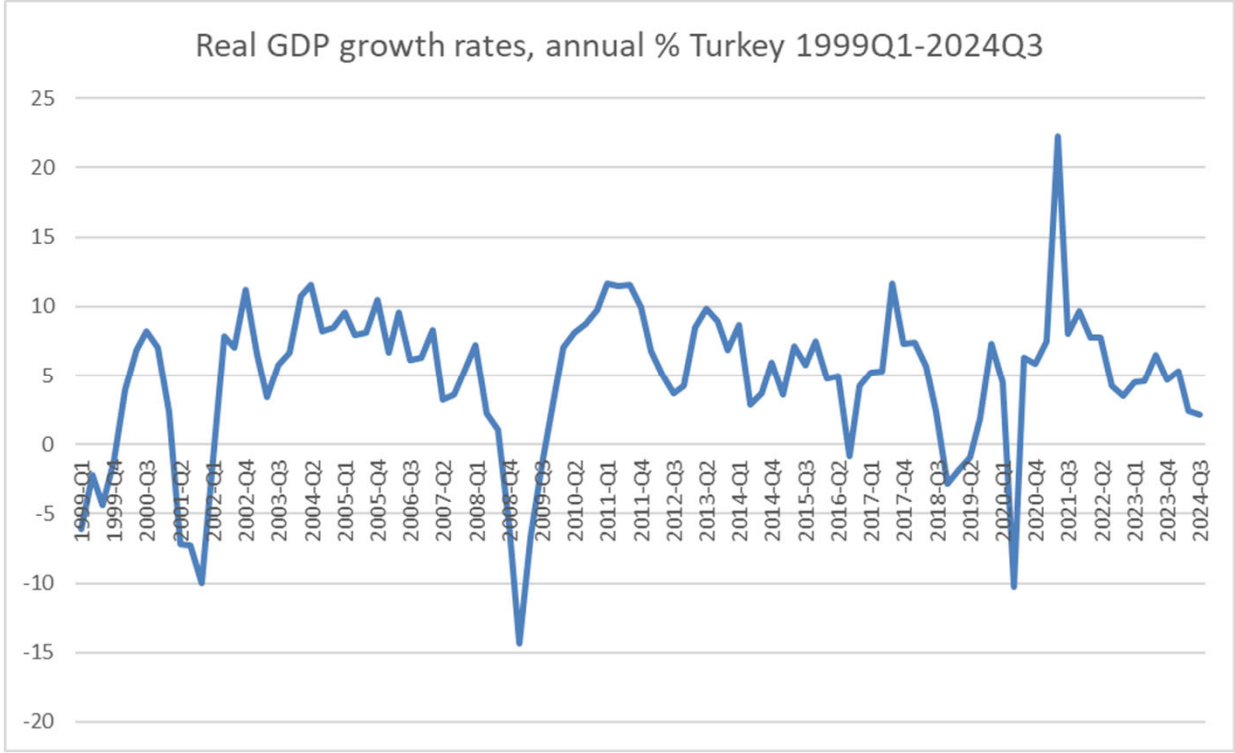
Real GDP, USA, billion USD, 1960-2023

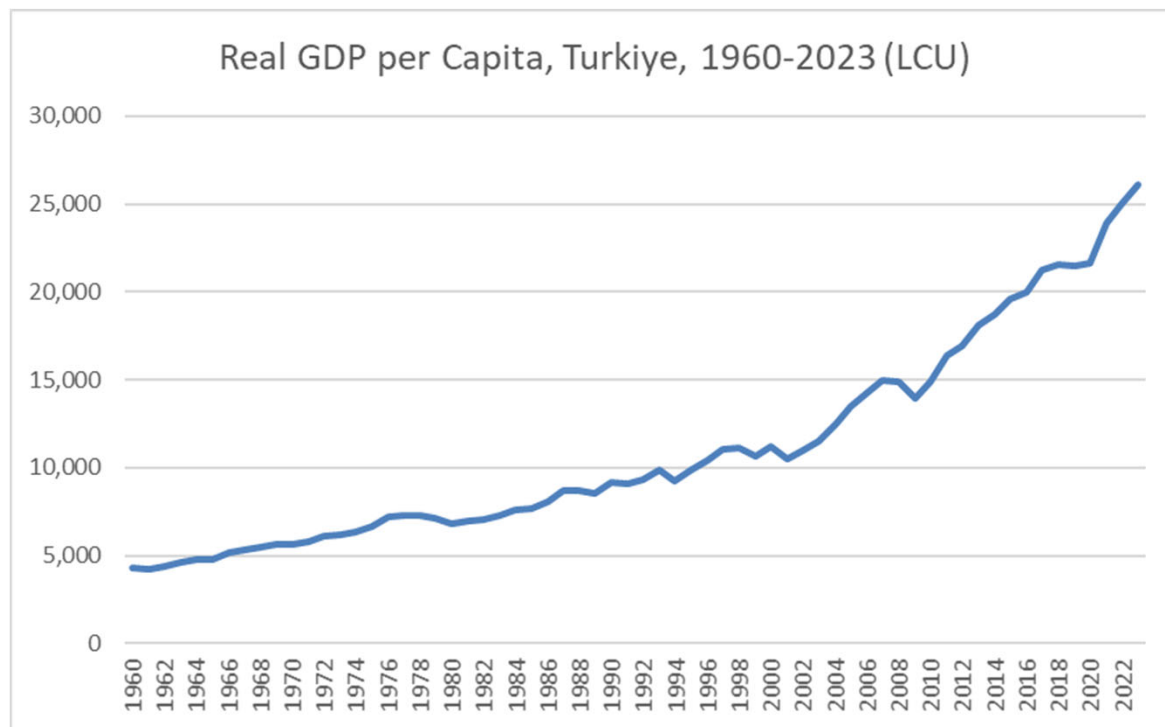


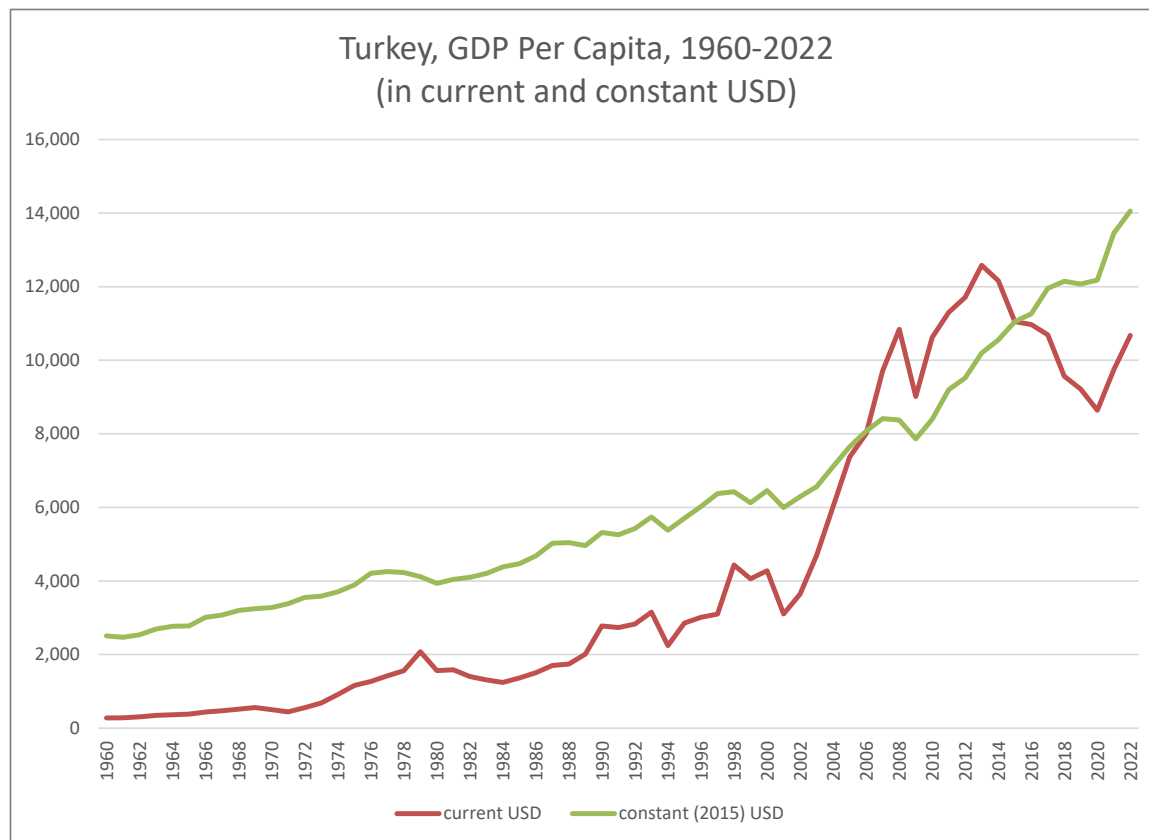
Per Capita Real GDP (in 2009 dollars)
for the United States, 1900–2014

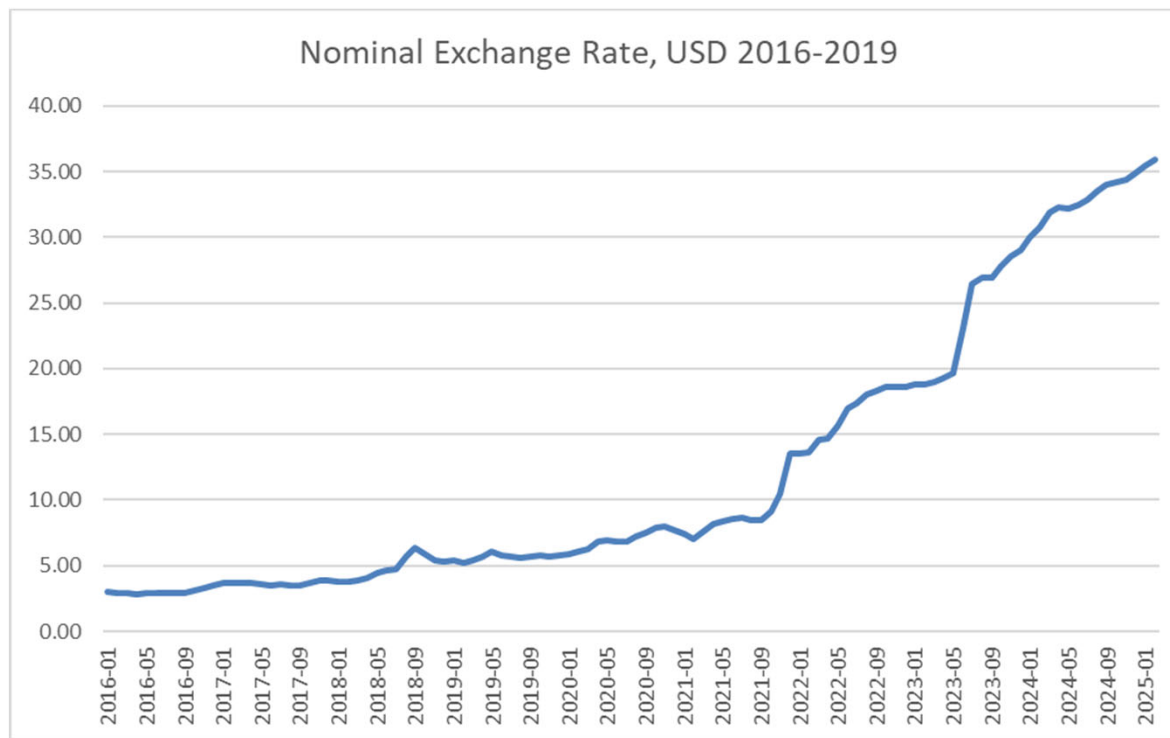




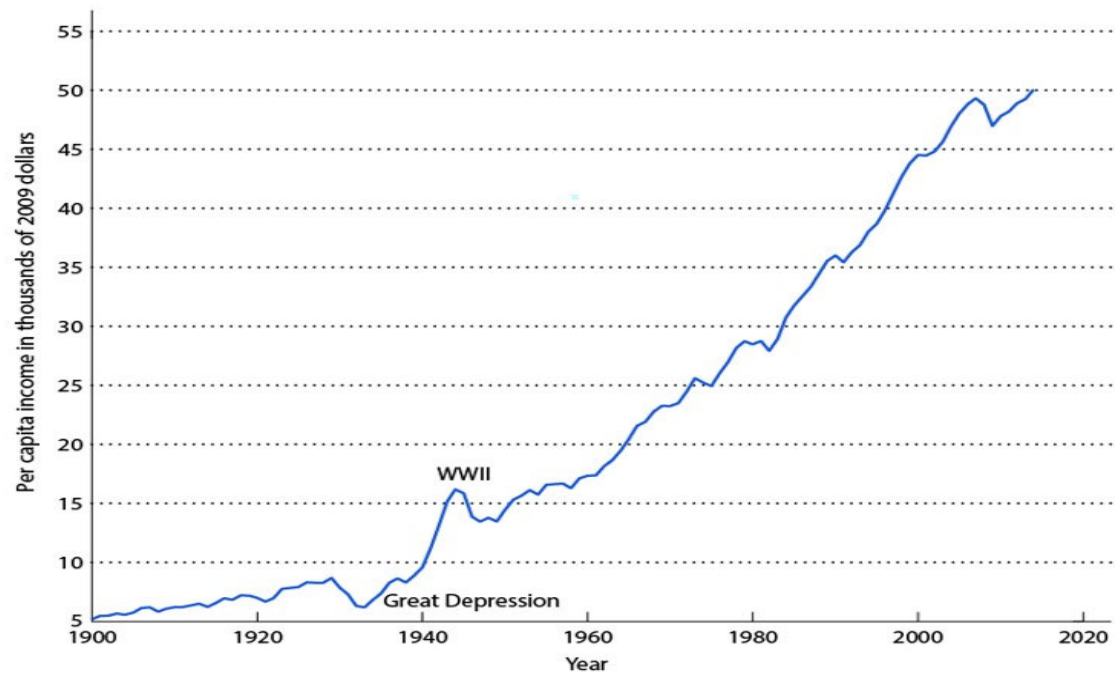




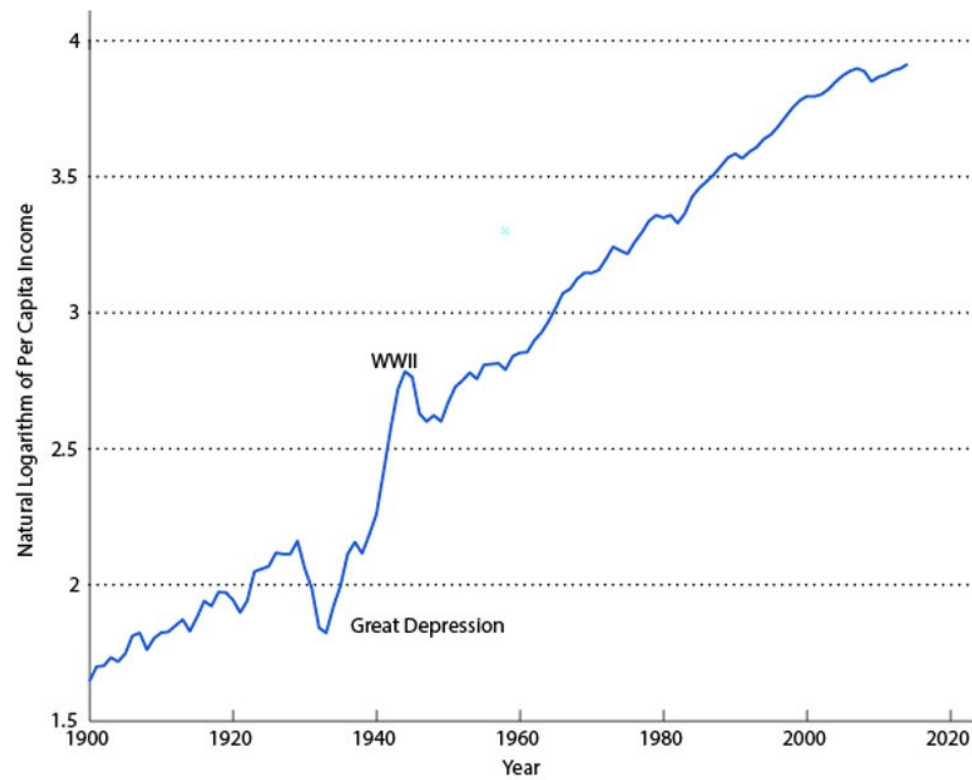




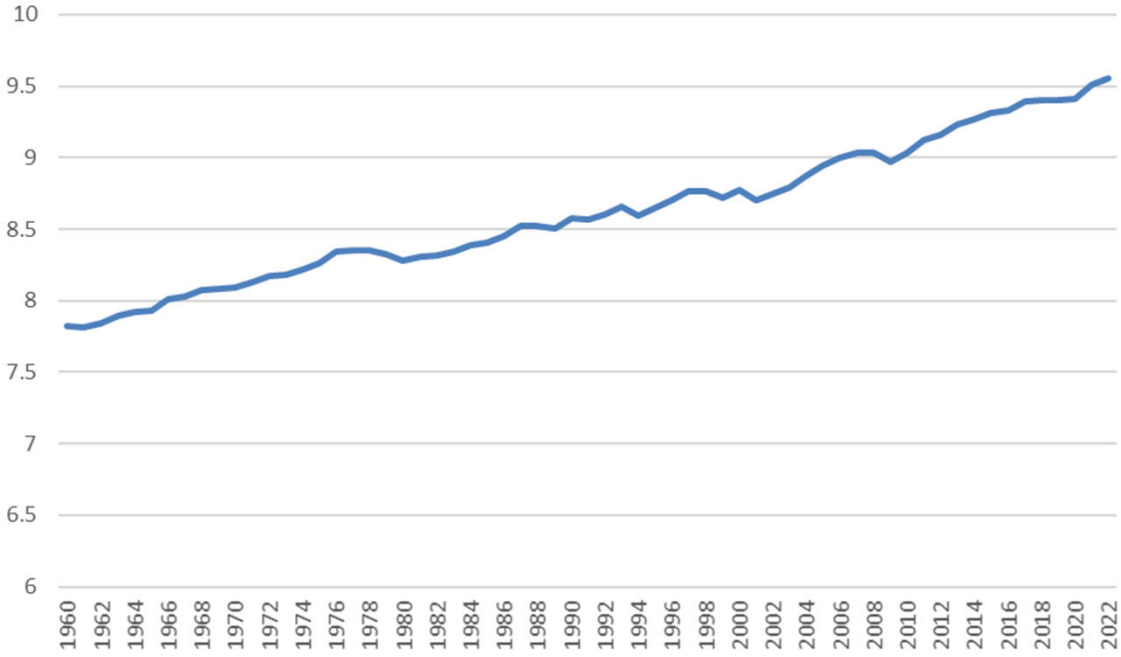
Per Capita Real GDP (in 2009 dollars) for the United States, 1900–2014



Natural Logarithm of Per Capita Real GDP



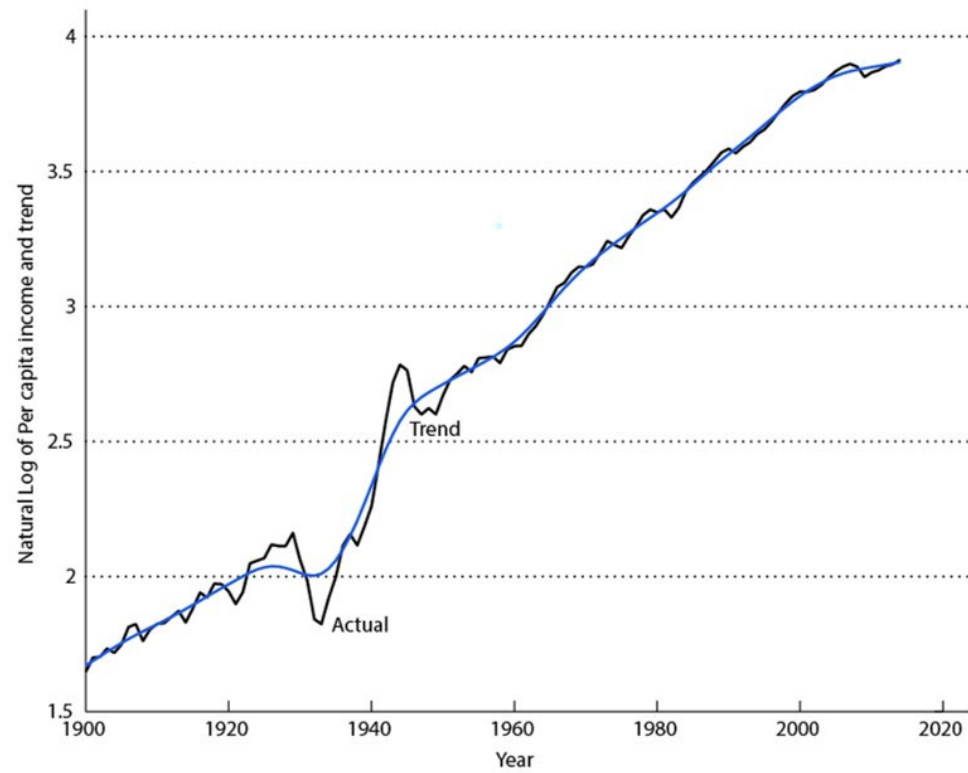
Natural Logarithm of Per Capita Real GDP,
Turkey 1960-2024



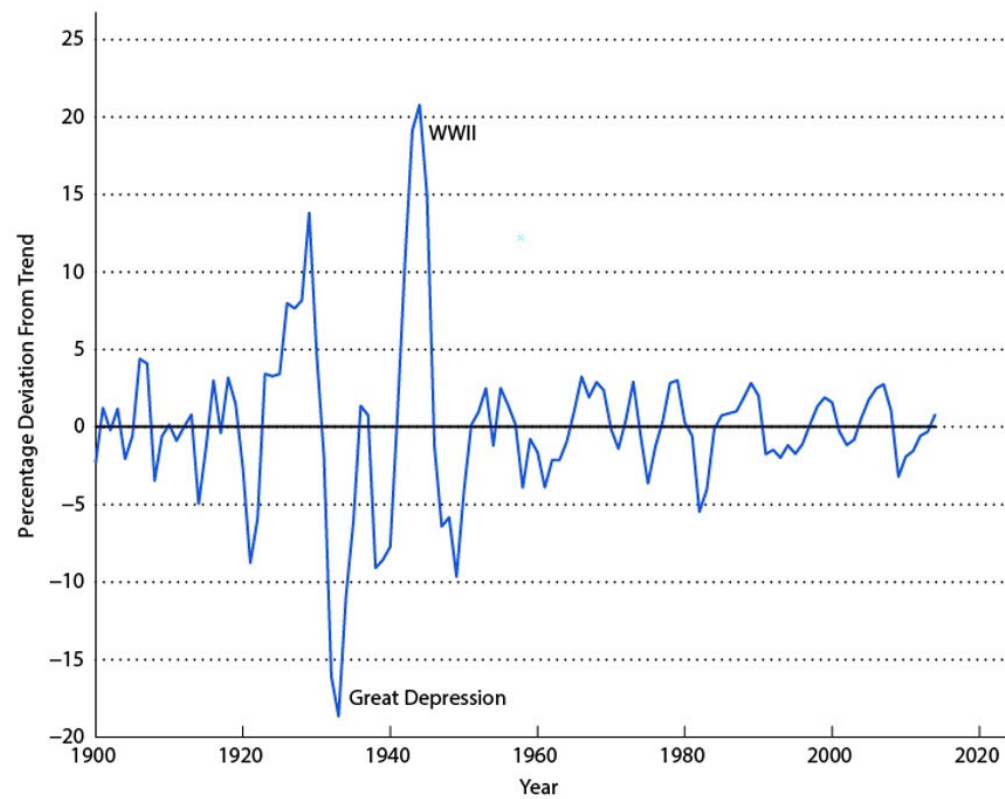
Gross Domestic Product, Economic Growth, and Business Cycles

- Gross Domestic Product (GDP): the value of final goods and services produced within a country's borders over a particular period of time.
- The time series of GDP can be separated into *trend* and *business cycle* components.

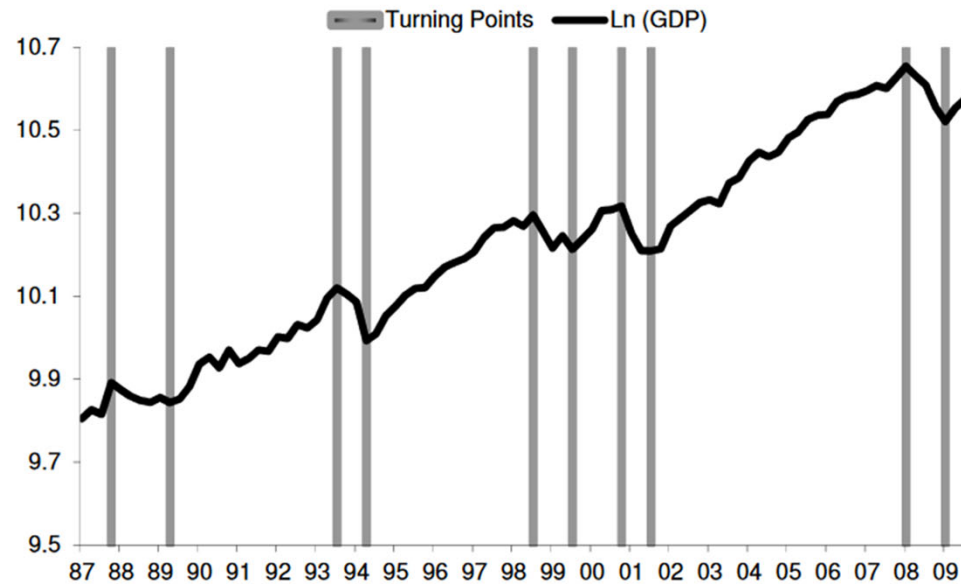
Natural Logarithm of Per Capita Real GDP and Trend (USA)



Percentage Deviations from Trend in Per Capita Real GDP (USA)



Natural Logarithm of Per Capita Real GDP (Turkey, 1987-2010)



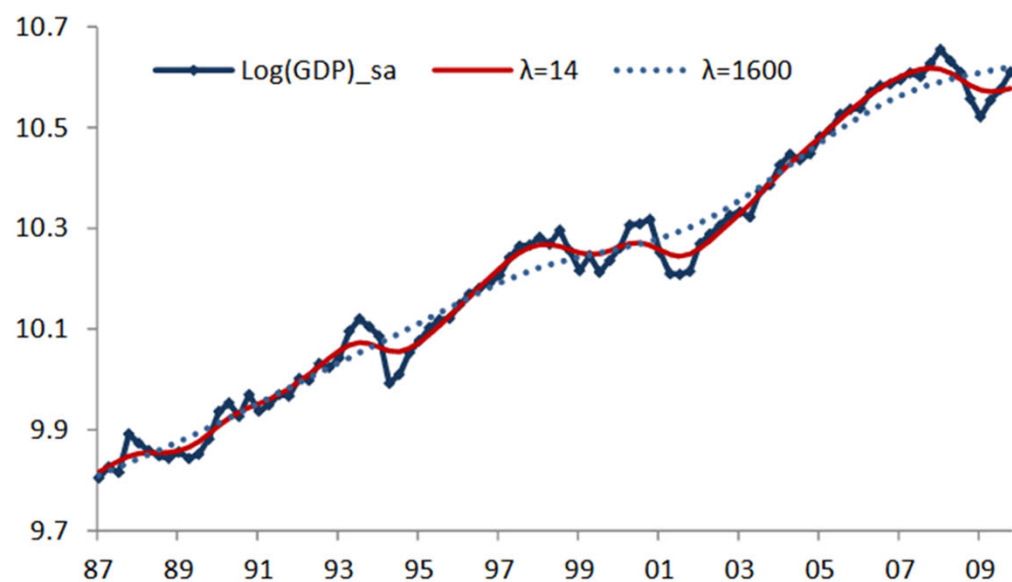
Source: CBRT

"Stylized Facts for Business Cycles in Turkey", Alp et. al 2012

<https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Publications/Research/Working+Papers/2012/12-02>

Natural Logarithm of Per Capita Real GDP and Trend (Turkey, 1987-2010)

Figure 3: Trend Components of Real GDP with Different HP Smoothing Parameters

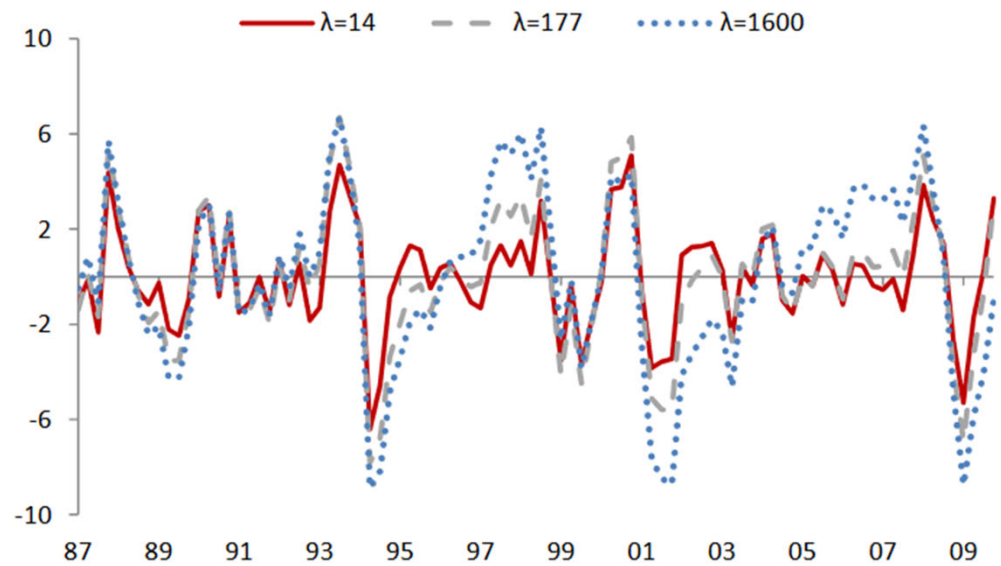


"Stylized Facts for Business Cycles in Turkey", Alp et. al 2012

<https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Publications/Research/Working+Papers/2012/12-02>

Percentage Deviations from Trend in Per Capita Real GDP (Turkey)

Figure 2: Cyclical Components of Real GDP with Different HP Smoothing Parameters



"Stylized Facts for Business Cycles in Turkey", Alp et. al 2012

<https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Publications/Research/Working+Papers/2012/12-02>

Basic Structure of a Macroeconomic Model

- Consumers and Firms
- The Set of Goods that Consumers Consume
- Consumers' Preferences
- The Production Technology
- Resources Available
- Policy makers?

What Do We Learn From Macroeconomic Analysis? Questions...

- What causes economic growth? Sustained economic growth?
- Could economic growth continue indefinitely? Or is there a limit to growth?
- Can government policy affect growth?
- What causes business cycles?
- Should governments act to smooth business cycles?

Understanding Macroeconomic Events

- Aggregate Productivity
- Unemployment and Vacancies
- Taxes, Government Spending, and the Government Deficit
- Inflation
- Interest Rates
- Business Cycles
- Credit Markets and the Financial Crisis
- The Current Account