

## Course 4: Macroeconomics

Complete the paragraph using: *invested growth demand involuntary challenged*

“Keynes \_\_\_\_\_ the classical conclusions about saving and growth. He argued that more thrift and saving lead to more rapid economic \_\_\_\_\_ only if full employment is assumed. This means assuming the classical claim that \_\_\_\_\_ is always enough for any supply of goods and that all saving is automatically \_\_\_\_\_. This assumption, however, is not true according to Keynes. During each depression it is painfully obvious to everyone that there is not full employment and that millions of workers are \_\_\_\_\_ unemployed. In each recession or depression, most saving is not being invested (except in the statistical sense of investment in unplanned and unwanted inventory pileups).”

Howard J. Sherman & Gary R. Evans, *Macroeconomics*, New York, Harper & Row, 1984  
(pp 229-230).

Define thrift and assumption:

The market model of pure competition is based on the assumption of perfect knowledge by agents of market conditions.

The model tests the hypothesis that spending on consumer durables is very price elastic.

|   |  |
|---|--|
| saving, savings<br>the saving(s) rate   | épargne<br>le taux d'épargne   |
| the propensity to save  | la propension à épargner   |
| (full) employment<br>unemployment<br>voluntary unemp.<br>involuntary unemp.<br>Keynesian unemp.<br>structural unemp.<br>frictional unemp. | (plein ) emploi<br>chômage<br>chôm. volontaire<br>chôm. involontaire<br>chôm. keynésien<br>chômage structurel<br>chôm. frictionnel |
| natural rate of unemployment  | taux naturel de chômage  |
| NAIRU – Non-accelerating inflation rate of unemployment   | taux de chômage non accélérateur de l'inflation  |

Complete the following definitions:

7/ \_\_\_\_\_ unemployment is caused by people taking time out of work between jobs or looking of work.

8/ \_\_\_\_\_ unemployment is caused by excessively high wages.

9/ \_\_\_\_\_ unemployment refers to a mismatch of job vacancies with the supply of labour available, as the skills, sectoral and geographical requirements of the economy change.

10/ \_\_\_\_\_ unemployment is due to a lack of aggregate demand in the economy.

|   |   |
|---|---|
| aggregate demand  | demande globale   |
| consumption<br>household consumption<br>to consume<br>propensity to consume | consommation<br>consommation des ménages<br>consommer<br>propension à consommer |
| disposable income   | revenu disponible   |
| consumer goods<br>consumer durables<br>durable goods / non-durables         | biens de consommation finale<br>biens de consommation durables                  |
| intermediate goods  | biens intermédiaires  |
| Investment / inventory(ies)<br>residential investment                       | Investissement / inventaire(s)<br>investissement résidentiel                    |

Complete the paragraph using the words:

*deficient volume propensity rate real*

“The \_\_\_\_\_ to consume and the \_\_\_\_\_ of new investment determine [...] the \_\_\_\_\_ of employment, and the volume of employment is uniquely related to a given level of \_\_\_\_\_ wages – not the other way round. ”

Keynes, Ch 2, *The General Theory of Employment, Interest, and Money*.

|  |   |
|--|---|
| recession, expansion                   |   |
| inflation<br>deflation<br>disinflation | inflation<br>deflation<br>désinflation    |
| to reflate/deflate an economy          | relancer/ralentir l'économie              |
| fiscal policy<br>tax policy            | politique budgétaire<br>politique fiscale |
| govt. spending / public expenditure    | dépenses publiques                        |
| money illusion                         | illusion monétaire                        |
| automatic stabilisers                  | stabilisateurs automatiques               |
| wage « stickiness »                    | la rigidité des salaires                  |
| multiplier                             | multiplicateur                            |
| accelerator                            | accélérateur                              |
| liquidity trap                         | trappe de liquidité                       |

Provide synonyms for *expansion* and *recession* :

The monetarist critique

Fisher's equation:  $MV = PT$

|  |   |
|--|---|
| expectations<br>Rational Expectation Hypothesis                  | anticipations<br>Hypothèse des anticipations rationnelles |
| crowding out   | effets d'évictions  |
| supply-side economics  | économie de l'offre                                       |
| monetary policy<br>money supply                                  | politique monétaire<br>masse monétaire                    |
| monetary aggregates<br>narrow money (M0/1)<br>broad money (M3/4) | agrégats monétaire  |
| velocity of circulation (of money)                               | vitesse de circulation (de la monnaie)                    |

Put the verbs in brackets in the right tense:

The monetarist critique of Keynesian economics (develop) \_\_\_\_\_ strongly during the 1970s, as inflation rose worldwide.

Its main ideas (centre) \_\_\_\_\_ on the view that inflation (to be) \_\_\_\_\_ a monetary phenomenon, resulting from the excessive growth in the money supply. To bring down inflation, the monetary authorities should control the monetary aggregates.

Technically this (turn out) \_\_\_\_\_ to be harder (say) \_\_\_\_\_ than done, especially as financial deregulation (lead) \_\_\_\_\_ to fluctuations in the aggregates and in the velocity of circulation.

More generally speaking, however, the primacy of monetary policy in macroeconomic policy (to be accepted) \_\_\_\_\_ now \_\_\_\_\_ widely \_\_\_\_\_, while fiscal policy (to be used) \_\_\_\_\_ no longer \_\_\_\_\_ to "fine tune" growth.