

Current Issues in Macro Theory and Policy

As any academic discipline evolves, it naturally evokes a number of internal disagreements. Economics is no exception. In this chapter we examine a few alternative perspectives on macro theory and policy. A discussion of these alternatives will complete the topics in the Stabilization Policies unit on the AP Macro Economics Course Outline. We focus on the disagreements that various economists have about the answers to three interrelated questions: (1) What causes instability in the economy? (2) Is the economy self-correcting? (3) Should government adhere to rules or use discretion in setting economic policy?