

To the Student

The goal of economics is to make sense of the economy. *Applied Intermediate Macroeconomics* keeps that goal constantly in mind. It teaches macroeconomics as a tool of factual and interpretive understanding of the economy. It differs from most intermediate macroeconomics textbooks in its focus on applications to real-world data. The object is to prepare students to use economic theory and data to illuminate the information and policy debates that constantly bombard us in newspapers, on television and radio, and online. The strategy of the book is always to illustrate economic theory with data and detailed worked examples and to present the student with problems that involve the analysis and interpretation of actual data.

This strategy presupposes some facility with data manipulation and some familiarity with rudimentary statistics, such as constructing graphs, calculating growth rates, and taking means. The necessary level of statistical prowess is roughly things one can easily do with data using Microsoft's Excel or a similar spreadsheet *without* any special statistical add-ons. The text assumes a basic competence with Excel or another spreadsheet, and it gives frequent hints about particular applications. Most students will already have the necessary skills. But those who do not need to get quickly up to speed. The website www.appliedmacroeconomics.com, which is a resource for this book, contains some guidance on getting started with Excel.

The book does not assume that the student already knows any statistics. It teaches all the statistics required. The key resource is the chapter entitled *A Guide to Working with Economic Data* – usually referred to simply as the *Guide*. The *Guide* aims to be a self-contained reference – with clear, detailed explanations and numerous examples. It can be read profitably front to back or dipped into on an as-needed basis. Precise details often matter, so that even a student who is fairly familiar with basic statistics would be well advised to read the relevant sections of the *Guide* as a review. The main text contains numerous pointers to the sections of the *Guide* relevant to particular issues. And the instructions for the problems at the end

of each chapter also note the relevant sections of the *Guide* that explain the techniques essential to doing the problems.

To master applied macroeconomics it is not enough just to read the text. The student must actively engage the material: pay close attention to the details of the worked examples, read the relevant sections of the *Guide*, and do the problems at the end of each chapter thoughtfully and carefully, always thinking about the way in which the theory in the text illuminates the data and the way in which the data illustrate, test, or challenge the theory. Remember that in the end, it is not about crunching numbers, but about analyzing, interpreting, and understanding the economy.

In addition to the *Guide*, the book contains other resources to aid the student:

- key concepts in each chapter are indicated in the text by bold-faced small capitals at the point of first use or best definition or discussion (e.g., **ECONOMIC MODELS**); other important terminology is indicated by bold-faced regular type (e.g., **production boundary**);
- all emboldened terms are defined in the Glossary;
- a list of Symbols used in the text is provided;
- a Summary of each chapter is broken down into succinct numbered points;
- Suggested Readings for each chapter provide sources for pursuing the subject of the chapter further;
- a Guide to Online Resources – mostly to sources of data – is provided.

The website www.appliedmacroeconomics.com provides essential supporting materials for the textbook and courses that use it. The website contains regularly updated data keyed to the end-of-chapter problem sets. It also includes hints for getting started with Excel, answers to selected end-of-chapter problems, and various other supplemental materials and links.

To the Teacher

The Problem and the Pedagogical Approach

This textbook has had a long gestation. It began in the mid-1990s when I taught intermediate macroeconomics at the University of California, Davis. I became increasingly dissatisfied that even very good students, students who had easily mastered the textbook materials, left our program with little factual knowledge of the economy and with little ability to make the theory that they had learned helpful in interpreting real-world macroeconomic issues. Even students who received A grades in Intermediate Macroeconomics often found it difficult to understand economic news and to use sound economic analysis to criticize the economic proposals of pundits, politicians, or central bankers.

I began to rethink my course – what its objects should be and how I should teach it. Most economics majors do not go on to further graduate study in economics. The greatest value-added for the typical student would be a macroeconomic education adapted to understanding the real world as filtered through the media and politics. Even those who go on to graduate study would be better prepared to appreciate the ultimate motivation of macroeconomic theory if they had first developed a good practical understanding of applied macroeconomics. This textbook is the fullest expression of that rethinking and is grounded in about fifteen years of teaching macroeconomics at UC Davis and at Duke University along these new lines.¹

Current intermediate macroeconomics texts suffer from three common problems:

- *Theory is detached from the facts of the economy.* Textbooks often include boxed case studies to illustrate theoretical principles and illustrative graphs and tables

¹ A fuller account of the pedagogical philosophy behind my earlier courses and the book appears in Kevin D. Hoover, “Teaching Economics While Taking Complexity Seriously,” in David Colander, editor, *The Complexity Vision and the Teaching of Economics*. Cambridge: Cambridge University Press, 2000, which can be downloaded from www.appliedmacroeconomics.com.