

Review of Mushin, J. *Output and the Role of Money*

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This overview of macroeconomic theory is a resource that may be used in conjunction with a complete macroeconomic text to support a one semester undergraduate course in macroeconomics. It is designed to stimulate student interest in current macroeconomic issues and, at the same time, advance their understanding of the theoretical background to these issues. Emphasising the equilibrium process, the author has effectively organised the book around an IS-LM-BP framework. Important macroeconomic issues that are analysed within this theoretical framework include inflation, unemployment and the balance of payments.

The introductory chapter briefly outlines the nature of macroeconomic issues and the components of aggregate output. In the following five chapters, the IS-LM model is derived in standard fashion. Key definitions and relationships are conveyed using elementary algebra. This is effectively supported by geometry. The factors that shift the IS-LM curves are identified and the effects of fiscal and monetary policy are noted. Perhaps the most unique feature of this derivation comes in chapter six where the interaction of the goods and money markets is discussed. In this chapter, the author presents a very interesting flow chart that depicts the equilibrium adjustment process in the context of the Keynesian model. This is a helpful addition to the standard algebraic, geometric and literary explanations.

After a digression in chapter seven that ably summarises the pre-Keynesian or Classical approach to macroeconomics, chapter eight introduces the student to aggregate analysis. Aggregate demand and supply schedules are used to demonstrate the relationship between output and the price level from both the Classical and Keynesian perspectives. Together with IS-LM analysis, the AD-AS apparatus is utilised in chapters nine and ten

to examine inflation and unemployment respectively. The geometrical approach taken by the author in these chapters, and throughout the book, should certainly aid the student's understanding by avoiding complicated and unnecessary mathematical proofs.

The overseas sector is introduced into the analysis in chapter eleven. This chapter contains a thorough discussion of the various exchange rate regimes. This permits the student to compare and contrast the various exchange rate policies that are or have been used by various world governments. This forms the basis for the formal analysis presented in chapter twelve. In chapter twelve the BP line is derived and added to the IS-LM framework. Again using a geometrical approach, the IS-LM-BP model is deployed to determine the effects of government fiscal and monetary policy under various configurations of exchange rate regime, currency stability and capital mobility. Effective use is made of tables which neatly summarise the effects of the policies.

The book's *coup de grace* is delivered in chapter thirteen where the complete macroeconomic model is presented. The author again makes use of a very interesting flow chart to depict the complete model. The flow chart depiction of a complete macroeconomic model is understandably quite complicated. However, careful study reveals the flow chart to be a useful tool for thinking about and describing the interrelationships or interdependence between the numerous macroeconomic variables as well as the equilibrium adjustment process. The model is complemented by a precise summary in the following chapter which concludes the work.

One cannot expect an overview to cover the finer points of macroeconomic theory. But this is not the objective which the author set himself. At the undergraduate level, a balance is required between rigorous analysis and understanding of key issues. This book achieves this balance nicely. It provides a simple yet powerful theoretical framework. The student who works through the book carefully will be able to put the various macroeconomic variables and concepts that he or she has learned about into the proper place and identify what affects what. As a supporting text for an undergraduate macroeconomics course this book should prove to be very useful.