

INTEREST RATE IN THEORY AND POLICY - Coverage

I. Alternative Theories of the Interest Rate:

A. Real vs. Monetary Theories

- a. Real - Marginal productivity theory; Austrian capital theory; Time-preference theory
- b. Monetary - Liquidity-preference; loanable funds

II. Interest-Rate Structure

A. Long vs. short-rate relationships

B. Movements of rates: Historical and Statistical studies

III. Role of Interest Rate in Monetary Policy

A. Effects of rate changes

- 1. Impact on investment and employment