COURSE DESCRIPTION

This course is an introduction to modern macroeconomic theory. We will focus our attention on dynamic optimization and general equilibrium models. Most of the typical topics in macroeconomics are covered. These topics includes growth, consumption, production, investment, fiscal policy, and monetary policy.

The course has two objectives. The first is the presentation of the tools required to study dynamic, stochastic, general equilibrium models. The second is the application of these tools to topics in macroeconomics.

EVALUATION

The assessment for this class consists of a two (2) term test and a final exam. Tests and final exam are closed notes and closed books. No make-up tests will be given. The tentative schedule and the grade distribution are displayed in the table below.

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Date</th>
<th>%</th>
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<tbody>
<tr>
<td>Term Test 1</td>
<td>Week 6: 3 October in class</td>
<td>25</td>
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<tr>
<td>Term Test 2</td>
<td>Week 12: 14 November in class</td>
<td>25</td>
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<tr>
<td>Final Exam</td>
<td>14 December 13h30 in Econ 2</td>
<td>50</td>
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REQUIRED TEXT


BACKGROUND TEXTS


COURSE OUTLINE

I. INTRODUCTION

1. Background Issues
   • Blanchard and Fischer: Chapter 1
   • Romer: Introduction

2. Tools and Models
   Dixit: Chapters 1 through 8

3. A Review of Static Models

II. REVIEW: TWO-PERIOD ECONOMIES

1. Consumption
   • Boileau, Lecture Notes Sections 1 through 3

2. A Pure Exchange Economy
   • Boileau, Lecture Notes Section 4
   • Farmer: Chapter 4

3. A Production Economy
   • Boileau, Lecture Notes Sections 5 and 6
III. INFINITE HORIZON ECONOMIES

1. The Solow Growth Model
   - Barro and Sala-i-Martin: Chapter 1
   - Romer: Chapter 1

2. Overlapping Generations Models
   - Blanchard and Fischer: Chapter 3
   - Farmer: Chapter 6
   - Romer: Chapter 2, part B

3. Dynamic Programming and Optimal Control
   Dixit: Chapters 10 and 11
   - Sargent: Chapter 1

4. The Neoclassical Growth Model
   - Barro and Sala-i-Martin: Chapter 2
   - Blanchard and Fischer: Chapter 2
   - Romer: Chapter 2 part A
IV. STOCHASTIC ECONOMIES

1. Expected Utility Theory
   - Dixit: Chapter 9
   - Farmer: Chapter 8

2. Consumption
   - Blanchard and Fischer: Chapter 6 part 2
   - Romer: Chapter 7
   - Sargent: Chapter 3

3. Investment
   - Blanchard and Fischer: Chapter 6 part 2
   - Romer: Chapter 8

4. Linear Rational Expectations Solutions
   - Romer: Chapter 6 part B
   - Farmer: Chapters 2 and 3

5. Real Business Cycle Theory
   - Farmer: Chapters 2 and 3
   - Romer: Chapter 4