Course Information

Textbooks

Required: Olivier Blanchard and Stanley Fischer, Lectures on Macroeconomics, MIT Press, 1989. (BL)

(This book can be used as background reading throughout the course. Relevant chapters are given below in parentheses.)  
Thomas Sargent, Dynamic Macroeconomic Theory, Harvard University Press,  

Course Requirements

Readings
Required readings are marked with an asterisk.

Exams
There will be a midterm exam and a final exam. Make-up exams will be given only under extremely extenuating circumstances. Notification and arrangements must be made before the exam.  
The final exam is scheduled for Tuesday, Dec. 15 at 7:30am-10:30am.

TA
Your TA for this class is Raul Barreto. He will run review sessions to go over problem sets and to answer questions before exams.

Abbreviations:
AER: American Economic Review  
RES: Review of Economic Studies  
CJE: Canadian Journal of Economics  
EMA: Econometrica  
JEP: Journal of Economic Perspectives  
JET: Journal of Economic Theory  
JME: Journal of Monetary Economics  
JPE: Journal of Political Economy  
QJE: Quarterly Journal of Economics
Course Outline and Reading List

I. Introduction
   *BF, Ch. 1
   *Barro MBCT, Introduction

II. Review of the Basic Market-Clearing Model (3 Lectures)
   A. The Role of Individual Choice in Production and Consumption Patterns
      (Barro, Chs. 1-3)
      *Supplemental Notes
      Dixit, Chs. 1,2,4

   B. Money and Inflation
      (Barro, Chs. 4,5,7,8)
      *BF, Ch. 4.7
      Barro and Fischer, "Recent Developments in Monetary Theory," JME, April 1976. Sections 3,4
      Friedman, "The Optimum Quantity of Money," in The Optimum Quantity of Money and Other Essays.
III. Investment and Growth (14 Lectures)

A. Non-Monetary Models
(Barro, Chs. 9,10)

*Supplemental Notes

*BF, Ch. 2.1-2.2 (p.37-52)
*SL, Ch. 2 (A more detailed analysis is contained in Chs. 4-6)

Arrow and Kurz, "Methods of Optimization over Time," Ch. 2 in Public Investment, the Rate of Return, and Optimal Fiscal Policy, 1970.

Romer, "Capital Accumulation and the Theory of Long-Run Growth," Ch. 2 in Barro MBCT.

B. Monetary Models


Johnson, "Money in a Neo-Classical, One-Sector Growth Model," in Essays in Monetary Economics, Ch. 4.


C. Uncertainty and Asset Pricing

*BF, Ch. 6.1-6.3 (p. 275-301)
*BF, Ch. 10.1 (p. 505-512)

*Lucas, "Interest Rates and Currency Prices in a Two-Country World," JME, 1982, 335-359. (Sections 1 and 2 only)


Dixit, Ch. 9.

V. Public Policy (3 Lectures)
A. Government Expenditures, Taxes, and Debt
(Barro, Chs. 12-14)
*BF, Ch. 2.3
*Barro, "Public Debt and Taxes," Ch. 10 in Barro, Money, Expectations, and
*King and Rebelo, "Public Policy and Economic Growth: Developing
Barro, "The Neoclassical Approach to Fiscal Policy," Ch. 5 in Barro MBCT.
Barro, "Government Spending in a Simple Model of Endogenous Growth," JPE,
1990, S103-S125.
Plosser, "Government Financing Decisions and Asset Returns," JME May 1982

B. Rational Expectations and Policy Evaluation
Curve and Labor Markets, eds. K. Brunner and A. Meltzer,
Carnegie-Rochester Conference Series on Public Policy, vol. 1,
Lucas, "Rules, Discretion, and the Role of the Economic Advisor," in
Rational Expectations and Economic Policy, ed. Stanley Fischer,
Chari, Kehoe, and Prescott, "Time Consistency and Policy," Ch. 7 in MBCT.
VI. Equilibrium Models of Business Cycles

(6 Lectures)

McCallum, "Real Business Cycle Models," Ch. 2 in Barro MBCT.