Course Information

Textbooks

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

**Recommended:** Robert Barro, Macroeconomics, 3rd Edition, Wiley Press. (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. One copy of each article on this list is on file in the filing cabinet in the graduate student lounge on the third floor.

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

TA

Your TA for this class has yet to be determined. The TA will run review sessions to go over problem sets and to answer questions before exams.

Abbreviations:

EMA : Econometrica                   RES : Review of Economic Studies
JEP : Journal of Economic Perspectives
JET : Journal of Economic Theory
JME : Journal of Monetary Economics
Course Outline and Reading List

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

II. Review of the Basic Market-Clearing Model

   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

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.
Dixit, Chs. 10,11
Romer, "Capital Accumulation and the Theory of Long-Run Growth," Ch. 2 in
Barro MBCT.

B. Monetary Models

*Stockman, "Anticipated Inflation and the Capital Stock in a
*Sidrauski, "Rational Choice and Patterns of Growth in a Monetary
Johnson, "Money in a Neo-Classical, One-Sector Growth Model," in Essays
in Monetary Economics, Ch. 4.

C. Uncertainty and Asset Pricing

*Lucas, "Interest Rates and Currency Prices in a Two-Country World," JME, 1982, 335-359. (Sections 1 and 2 only)
BF, Ch. 6.1-6.3 (p. 275-301) and Ch. 10.1 (p. 505-512)
Dixit, Ch. 9.
IV. Public Policy

A. Government Expenditures, Taxes, and Debt

(Barro, Chs. 12-14)
*B.F, Ch. 2.3
Barro, "The Neoclassical Approach to Fiscal Policy," Ch. 5 in Barro MRCT.
Plosser, "Government Financing Decisions and Asset Returns," JME May 1982

B. Rational Expectations and Policy Evaluation

Chari, Kehoe, and Prescott, "Time Consistency and Policy," Ch. 7 in MBCT.

V. An Introduction to Equilibrium Models of Business Cycles

Kydland and Prescott, "Time to Build and Aggregate Fluctuations," FMA 50,
1982.


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