Overview

This course studies the aggregate equilibrium allocation of resources across time periods. We will develop a highly stylized macroeconomic environment which rests on the foundation of microeconomic theory. Our goal is to use this simplistic setting to understand economic growth and various business cycle phenomena including output and employment fluctuations and inflation. The applied component of the course involves the exploration of assorted business cycle facts using some simple statistical techniques on a comprehensive set of U.S. macroeconomic time-series.

Requirements

The requirements for the course include two midterms and a comprehensive final exam. Problem sets will be assigned throughout the term. Most problem sets will include an empirical exercise or two that must be executed on a computer. Some basic knowledge of the econometric time series program RATS (available in the economics computer lab) will be required. I do not expect you to have prior experience with this program. Collaboration on the problem sets is allowed. However, everyone must hand in their own solution set.

The midterms will be held in class on Friday, October 6th and Friday, November 17th. The final exam is scheduled by the College of Arts and Sciences for Saturday, December 16th from 3:30 to 6:30. In determining your final grade, each midterm is worth 20 points, the final exam is worth 40 points, and the problem sets are collectively worth an additional 20 points.

Readings


Supplemental: Various articles drawn from the Federal Reserve Bank of Minneapolis Quarterly Review (FRM) and the Journal of Economic Perspectives (JEP) are on reserve at Norlin Library.
Course Outline and Reading List

I. Macroeconomic Time-Series and Some Stylized Facts

   Barro; Ch. 1.


II. The Basic Market Clearing Model

   Barro; Chs. 2, 3, 4, 5.


III. Real Business Cycles and Economic Growth

   Barro; Chs. 6, 9, 10, 11.


IV. Money, Inflation and Interest Rates

   Barro; Chs. 7, 8.

V. The Government and Fiscal Policy

   Barro; Chs. 12-14.


VI. Monetary Linkages to Economic Activity

   Barro; Chs, 18, 19.