Applied Macroeconomic Theory

E6080, Fall 1999,
TR 11:00-12:15 in Geol 114

Susanne Janeba
office: 4A Economics Building
phone: 492-2651
email: susanne.janeba@colorado.edu

Welcome to the exciting world of macroeconomics!

This course introduces you to modern dynamic stochastic macroeconomic analysis. Modern macro is grounded in individual optimization and market clearing. At its core is the application of price theory to intertemporal decision making.

Any one-semester course in macroeconomics must necessarily be selective in its content. Like all such courses, this one will reflect the instructor's perspectives, approaches and preferences. At the same time, I am very open to suggestions on topics that you find interesting and important. I will make an effort to cover (at least some of) them as well.

Understanding macroeconomics at the graduate level requires thoroughly comprehending a set of fundamentals. These fundamentals include distinguishing individual behavior from equilibrium outcomes and solving for endogenous variables in terms of exogenous ones, among other things. The class begins with very simple static models. By keeping the economic behavior simple, these models are useful vehicles for understanding fundamentals. The course then moves to a selection of two-period models. Once students are comfortable with thinking in intertemporal terms, the class will advance to recursive models for infinite-horizon optimization problems.

The remainder of the course will consist of topics. Macroeconomic policy analysis lies at the heart of many of the topics to be covered. We will do a little asset pricing, because of both its centrality to macro and its usefulness as an introduction to uncertainty. We will also study the effects of monetary and fiscal policies in a growth model, with special emphasis on the dependence of private agents' decisions on policy.

Homework, Short papers, Exams

There will be several homework assignments during the semester, which students are expected to hand in for a grade. I encourage students to work in groups to solve these, though each student must hand in his/her individual assignment. In addition, you will write two short papers. The main focus of the papers will be on the evaluation of the historical economic situation in a country of your choice, first through a description of basic aggregates, such as economic growth, inflation, unemployment etc. and later through an application of econometric methods. You will be asked to present a brief summary of your work at the end of the semester.

There will be two exams. The exact date of the midterm exam will be announced later. The final exam is scheduled for Saturday, December 11th at 7:30-10:30 pm.

Course Coverage
• Macroeconomic Facts
• Methodological Background
• Basic Price Theory in Simple Models
• The Growth Model
• Asset Pricing
• Money and Monetary Policy
• Fiscal Policy
• Inflation and Unemployment
• additional topics on request