Meeting time: Wednesdays, 6:00 pm – 8:45 pm

Meeting Location: To be determined

Email address: david.m.arseneau@frb.gov

Grading: The final grade will be based on a midterm exam (worth 40% of your final course grade) and a cumulative final exam (worth 60% of your final course grade). The exams are scheduled for:

- **Midterm Exam:** Wednesday, October 19 (regular class time and location)
- **Final Exam:** Wednesday, December 14 (last scheduled class meeting)

All students are expected to attend both exams. There will be no make-ups. I will make every effort to return your graded midterm at the beginning of the following regularly scheduled meeting.

Homework: I will periodically hand out optional problem sets that will be neither collected nor graded. They are merely designed to help build on the material learned in class. I will hand out solutions to the problem sets with a one week lag, so that you can try the problems on your own before seeing the answers.

Texts: The primary text for the course is Macroeconomics by Stephen Williamson (Pearson/Addison-Wesley, Third Edition). It is NOT REQUIRED that you buy this text, though you may find it a helpful supplement. It is available at the University Bookstore or through other internet outlets (for example, Amazon or Barnes and Noble). We will follow the Williamson text book fairly closely up until the midterm. After the midterm, I will rely on it less (it will be mainly used as a supplement) and turn instead to class notes that I will distribute before each lecture, either on the class website or via email.

Math Preparation: Economics requires math and we will use mathematical analysis in this course. With regard to the degree of difficult, it is very much in line with the department guidelines available on the department website. Having said that, I will go over each of the techniques you will be expected to know, I will do many examples, and will give practice problems on the homework problem sets. So, if you are rusty there will be plenty of opportunity to refresh.
Outline of topics: The following is a sketch of topics we will cover this semester – it may be modified as the course progresses.

Lecture One: Introduction
What is Macroeconomics?
Modeling in macroeconomics
Suggested Reading: Williamson, Chapters 1-3

Lecture Two: Static Optimizing Model:
Graphical Analysis
Households: Optimal Consumption-Leisure Decision
Firms: Profit Maximization
General Equilibrium
An Algebraic Representation of the Static Model
Suggested reading: Williamson, Chapters 4-5

Lecture Three: Two-Period Model
Graphical Analysis
The Optimal Consumption-Savings Decision
An Algebraic Representation of the Two-Period Model
Suggested reading: Williamson, Chapters 8

Lecture Four: A Simple Monetary Economy
The Quantity Theory of Money Demand
A Cash-in-advance Economy
Monetary Neutrality
Suggested reading: Class notes (will be distributed in class)

Lecture Five (A): Optimal Monetary Policy in the Long Run (Theory)
The Optimal Rate of Inflation
The Friedman rule
An Introduction to the Zero Lower Bound
Suggested reading: Class notes (will be distributed in class)

Lecture Six: Long Run Monetary Policy in Practice (Empirics)
Inflation and Growth
Hyperinflation
Monetary Stabilization
Opportunistic Disinflation and the Sacrifice Ratio
Suggested reading: Various papers (will be distributed in class)

MIDTERM EXAM (Wednesday, October 19)
Lecture Seven: Motivating the New Neoclassical / New Keynesian Approach
   The Real Business Cycle
   Monetary Shocks in the Basic Monetary Business Cycle Model
   Theory vs. Evidence: Monetary Shocks over the Business Cycle
   The Monetary Transmission Mechanism
   **Suggested Reading:** Class Notes (will be distributed)

Lecture Eight: Monopolistic Competition
   Differentiated Goods and the Consumption Function
   Monopolistically Competitive Firms
   The Aggregate Price Level
   Welfare Costs of Monopolistic Competition
   **Suggested Reading:** Class Notes (will be distributed)

Lecture Nine: The New Keynesian Phillips Curve
   Nominal Rigidities: Theory and Empirics
   The Phillips Curve in the Long and Short Run
   Inflation Dynamics
   **Suggested Reading:** Class Notes (will be distributed)

Lecture Ten: A Simple Model for Monetary Policy Analysis
   The IS Curve
   The New Keynesian Phillips Curve
   Central Banker Preferences
   Deriving an Optimal Interest Rate Rule
   **Suggested Reading:** Class Notes (will be distributed)

Lecture Eleven: Principles of Optimal Stabilization Policy
   Some Basic Principles
   The Taylor Rule
   Empirical Evidence on the Taylor Rule as a Guide to Monetary Policy
   **Suggested Reading:** Class Notes (will be distributed)

Time Permitting: Nonconventional Monetary Policy, Central Bank Balance Sheets,
   Commitment versus Discretion
   The Barro-Gordon Model
   Gains from Commitment
   Central Bank Reputation and Credibility
   **Suggested Reading:** Class Notes (will be distributed)

**FINAL EXAM (Wednesday, December 17)**