Macroeconomic Theory 440.602.53
Spring Semester 2015
Tuesday 6:00 – 8:45

Instructor:
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Grading:
Homework (70%): Weekly Assignments.
Final (30%): May 5

Suggested Texts: There is no required text for the class. Selected articles will be required reading. In addition there will be a number of course handouts. For additional background the material covered in the course can be found in any number of macroeconomic textbooks. Below are a few suggested texts.

Easy:  Macroeconomics - Mankiw.
Graduate:  Advanced Macroeconomics – Romer or Macroeconomic Theory – Wickins.

Lecture Schedule

Macro
January 27 – Introduction / The Vocabulary of Macroeconomics
1. Review of basic supply and demand model.
2. Definitions of GDP, inflation, unemployment.
3. Readings:
   • Additional Reading: Mankiw - Chapter 2.

February 3 – Long-Run Equilibrium / Solow Model
1. Production function.
2. Solow model.
   • “The Economic Future of Europe” Blanchard - Journal of Economic Perspectives Fall 2004
   • Additional Reading: Mankiw - Chapter 7 and 8, Romer – Chapter 1, Wickens – Chapter 2 and 3.

February 10 – Consumption
- Utility functions and budget constraints.
- Simple two-period model.
- Dynamic model.
- Permanent income hypothesis.
- Liquidity constraints.
- Precautionary saving.
- Additional Reading: Mankiw - Chapter 16, Romer – Chapter 7, Wickens – Chapter 4.

February 17 – Consumption
- Empirical consumption literature.
- Behavioral consumption theory.
- Asset pricing.
February 24 – Investment / Real Business Cycle
- Ramsey model.
- Labor / Leisure choice.
- Additional Reading: Romer – Chapter 4, Wickens – Chapter 14.

March 3 – Money & Banks
- History of money.
- The Federal Reserve.
- Quantity theory of money.
- Money multiplier.
- Costs of inflation.
- Hyperinflation and seignorage.
- Additional Reading: Mankiw - Chapter 4 and 18, Wickens – Chapter 8.

March 10 – Price Stickiness
- Additional Reading: Romer – Chapter 6, Wickens – Chapter 9.

March 24 – Keynesian Macro
- Keynesian consumption function.
- Keynesian multiplier.
- IS-LM.
- AS-AD.
- Additional Reading: Mankiw - Chapters 10, 11, and 13, Romer – Chapter 5.

March 31 – Labor Markets / Unemployment
- “Labor Market Dynamics and Monetary Policy” speech by Chair Yellen on August 22, 2014.
- Additional Reading: Mankiw - Chapter 6, Romer – Chapter 9.

April 7 – Monetary Policy
- Dynamic inconsistency
- The Phillips Curve
- The NAIRU
- Additional Reading: Mankiw - Chapters 10, 11, and 13, Romer – Chapter 5.

April 14 – Fiscal Policy
- Ricardian Equivalence
- Automatic stabilizers and structural deficits
- Additional Reading: Mankiw - Chapter 15, Wickens – Chapter 5 and 6.

April 21 – Open Economy: Current Accounts & Exchange Rates.
- Saving, investment, and the current account
- Nominal exchange rates
- Real exchange rates
- Exchange rates in Keynesian macro
- Additional Reading: Mankiw - Chapter 5 and 12, Wickens – Chapter 7 and 12.

April 28 – The Financial Crisis / Finance and Macro
• “Monetary Policy and Financial Stability” speech by Chair Yellen on July 2, 2014.
• Winter 2011 – JEP symposium.

May 5 – Final