**Macroeconomic Theory AS.440.602 (51)**

**Course Syllabus**

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Spring Semester 2018

Monday 6:00-8:30 PM

Room TBA

**Prerequisite:** AS.440.304 Mathematical Methods for Economists

**Course Description**

This course provides a systematic overview of the theory of aggregate output and employment, the rate of interest, and price level determination. Coverage includes the theories of consumption and investment, the demand and supply of money, inflation, unemployment, economic growth, financial frictions and financial cycles. These topics are discussed in the context of contemporary empirical work on aggregative relationships.

**Materials**

We will be using Sanjay K. Chugh’s textbook “Modern Macroeconomics” (first edition) that was specifically created by Sanjay for this course when he taught at Johns Hopkins. We will follow the structure of the book pretty closely so please obtain a copy of it. All additional materials will be provided to you either in class or by email. Exams will just require paper and pens/pencils.

**Policy and Goals**

Everyone in this class is an adult and is expected to act in a professional, responsible manner according to University Policy. If you require any type of special accommodations during the midterm/final or during class, please let me know as soon as possible (preferably before the third class), so that there is sufficient time to plan ahead to accommodate your needs. I will be in touch with you using the Johns Hopkins email addresses that have been passed to me by the University, so you are responsible for checking that email to receive all materials.

**Contact Information**

You can reach me at aajello1@jhu.edu. I will attempt to respond to that day’s emails each evening. In case you have questions for me that you would like to address in person, please email me in advance to schedule a meeting. I can be available before and after each class and will try my best to accommodate alternative times to meet you in case of conflict.

**What You Should Expect Before, During, and After Each Class**

Most classes will begin with a short quiz that reviews the topics from the prior class. Afterwards, I will review the answers with you. We will then discuss additional readings
from the academic literature and current articles from the media related to that day’s lecture to give context to that lecture’s material. You will be expected to engage in that day’s discussion. Last, we will go through that day’s lecture. There will be a short break part way through that day’s class.

You will solve five problem sets that should give you a sense of the difficulty and content of the materials on the midterm and final. Please form groups of 4/5 students. You and your group mates will have one week to solve the problem set and will hand in one copy per group before class on the days specified in the course outline below.

**How to Prepare for Exams**
You should study the lecture notes, quizzes, problem sets, and midterms. If you need more material to study from, there are questions throughout Chugh’s textbook which will potentially be similar to some of the exam questions. You can email me a detailed solution to any problems and I will check it for you, as long as you do so before the final lecture.

**Course Grading**
A large percentage of your grade will be determined by two exams, a midterm (20%) and final (50%). 30% of your grade will also be determined by your participation score, which includes weekly quizzes, problem sets, and participation in discussion. So, to review:
- Participation: 30%
- Midterm: 20%
- Final: 50%
- Total: 100%

**Course Outline**
We will meet 14 times, which includes 12 lectures and in-class midterm and final exams.
The course is divided into 12 topics, which should roughly correspond to each lecture, noted below. Please read the chapters and additional readings listed below before each class. Please check blackboard for the additional readings and any additional articles from the media.

This outline below is subject to change.
Class I, Lecture I (January 8th, 2017)

Overview
- Introductions/Syllabus Review and Course Goals/Expectations.
- A Simple (Macro)economy.
- A Brief History of Macroeconomics (Chugh: Introduction to “Modern Macroeconomics” and Chapter 10).

***No class on January 15th, 2016 for MLK day***

Class II, Lecture II (January 22nd, 2017)

Mathematical Review (Chugh: “Mathematical Appendix: Refreshers, Reviews, and Reminders”).

The Consumer Problem
- Microeconomics of Consumer Theory (Chugh: Chapter 1).
- The static consumption-labor framework (Chugh: Chapter 2).
- The dynamic consumption-savings framework (Chugh: Chapter 3).

Class III, Lecture III (January 29th, 2017)

Building on the Dynamic Consumption-Savings Framework
- Inflation and Interest Rates in the Consumption-Savings Framework (Chugh: Chapter 4).
- Dynamic Consumption-Labor Framework (Chugh: Chapter 5).
- Firms (Chugh: Chapter 6).

Class IV, Lecture IV (February 5th, 2017)  

NOTE: Problem Set 1 due

Building on the Dynamic Consumption-Savings Framework
- Intertemporal Fiscal Theory (Chugh: Chapter 7).
- Asset Pricing (Chugh: Chapter 8).
- Shocks (Chugh: Chapter 9 and Chugh “Interlude: General Equilibrium Macroeconomics”).

Additional Reading for Discussion: “Macroeconomics of the Term Structure?” Gürkaynak and Wright (2012).
“Credit Spread and Business Cycles Fluctuations”, Gilchrist and Zakrajsek 2012
Class V, Lecture V (February 12th, 2017)

Elements of Modern Macroeconomics
- Supply-Side Economics (Chugh: Chapter 11).
- The Phillips Curve (Chugh: Chapter 12).
- New Keynesian Economics (Chugh: Chapter 13).

“The Intensive and Extensive Margins of Real Wage Adjustment.” Daly and Hobijn (2016).

Class VI, Lecture VI (February 19th, 2017)  

NOTE: Problem Set 2 due

Elements of Modern Macroeconomics
- Real Business Cycle Theory (Chugh: Chapter 14).
- Monetary Policy in the Intertemporal Framework (Chugh: Chapter 15).

Chapter for your review that will not be on Midterm or Final: Monetary-Fiscal Interactions (Chugh: Chapter 16).

Class VII, Lecture VII (February 26th, 2017)

Optimal Policy under Flexible Prices
- Optimal Monetary Policy (Chugh: Chapter 17).


Class VIII, Lecture VII (March 5th, 2017)  

NOTE: Problem Set 3 due

Optimal Policy under Flexible Prices and Review for Midterm
- Economic Efficiency (Chugh: Chapter 18).

Class IX, Midterm (March 12th, 2016)

***************MIDTERM***************

***No class on March 19th for Spring Break***
Class X, Lecture IX (March 26th, 2017)

Rigid Prices and Optimal Policy
- Monopolistic Competition (Chugh: Chapter 22).
- Rotemberg Framework (Chugh: Chapter 23).
- Optimal Monetary Policy with Rigid Prices (Chugh: Chapter 24).

Class XI, Lecture X (April 2nd, 2017)  
NOTE: Problem Set 4 due

Economic Growth Revisited
- Solow Growth (Chugh: Chapter 25).
- Neoclassical Growth (Chugh: Chapter 26).

Additional Reading for Discussion: “Beyond GDP: Welfare Across Countries and Time.”
Jones and Klenow (2016).

Class XII, Lecture XI (April 9th, 2017)

Financial Frictions
- Financial Accelerator and Regulatory Policy (Chugh: Chapter 21)

“How Credit Cycles across a Financial Crisis.” Krishnamurthy and Muir (2016).

Class XIII, Lecture XII (April 16th, 2017)  
NOTE: Problem Set 5 due

Catch-up and Review

Class XIV, Final (April 23rd, 2017)

****************FINAL EXAM**********************