SEMINAR OBJECTIVES
Macroeconomics is the study of fluctuations in unemployment, inflation, and output growth. This seminar introduces the basics of the optimizing, intertemporal, general-equilibrium approach to these topics. By the end of the semester you should be familiar with modern economic growth theory and with how consumption and investment, price rigidities, expectations, unemployment, asset markets, and monetary and fiscal policy are handled in modern dynamic macroeconomic models. You should be aware of the main features of modern business cycles and understand contemporary debates about the causes of recessions and the efficacy of stabilization policy. You should be comfortable with the algebraic and graphical analysis of low-order non-stochastic dynamic models. The seminar will emphasize a closed economy, but the tools are portable and we will incorporate open-economy considerations where possible.

TEXTS
Selected required articles are available on moodle.

GRADING
10% Seminar participation
10% Seminar presentations (problem solving, and 1 presentation of an assigned reading)
25% Essay 1: 5-6 pages, double spaced, 12pt font. (Due October 8)
25% Essay 2: 5-6 pages, double spaced, 12pt font. (Due Nov 26)
30% Final exam

Essay extension policy: A 1/3 grade penalty will be imposed for each 2 days after the due date.

GROUND RULES
The typical week’s material will include a reading from Romer, a problem set from Romer, and an outside reading. You must come to seminar prepared to contribute in each of these areas. One student will be assigned to present each outside reading (see ground rules below), but all students must come to seminar prepared to answer and ask questions about the reading. You should work through the problem sets in advance and come to seminar prepared to present answers to all problems. I encourage you to work together on the problems. Your objective is not just to solve them but also to understand their motivations and intuitions. I will place a premium on your preparation for these discussions.
This is not a seminar in dynamic, stochastic analysis, but we will use multivariate calculus, elementary linear algebra, and low-order non-stochastic differential equations. Take an active approach to your reading (pencil in hand: work out the math; use the footnotes). The Klein text will be useful in refreshing your understanding of methods from your math courses in linear algebra, multivariable calculus, and differential equation.

PRESENTING OUTSIDE READINGS:
Each week a student will present an outside article that has been read in advance by all students. As presenter you are responsible for a 25-minute presentation that motivates the topic, explains the central points of the article, and comments critically on the nature and value of the contribution. Expect active questioning and discussion. I encourage (but do not require) you to use powerpoint slides and handouts to organize your presentation.

ESSAYS
The essays are an opportunity to demonstrate your understanding of modern macroeconomics. Your topic may be theoretical or applied, and your essay should synthesize and/or critique the relevant literature. I will place a premium on clear and concise writing. I will therefore deduct points from your essay for poor writing unless you turn it in with a complete “WAed” draft signed by one of this semester’s Writing Associates. All essays are to be submitted in hard copy.

SEMINAR OUTLINE
*Starred readings are required of all students. Papers that will be presented by a student are identified with [p].

I. INTRODUCTION
Week 1 (Thursday September 6) Introduction and Overview
Reading:
Problem set 1: See moodle for the Assignment for Week 1.

II. NEOCLASSICAL GROWTH AND FLUCTUATIONS
Week 2 (Thurs Sept 13) Neoclassical Growth Theory
Reading: *Romer chapter 1; *Romer chapter 2, especially Part A (skim the rest); *Romer chapter 3, especially “Learning-by-doing” (pp 121-23) and section 3.8 (skim the rest); Romer chapter 4 (skim the chapter).
Problem set 2: Romer problems 1.5, 1.6, 1.9, 2.4, 2.6, 3.7, 4.9 plus supplementary problems: see moodle.

Week 3 (Thurs Sept 20) Real Business Cycle Theory
Reading: *Romer chapter 5

Problem set 3: On moodle (also see Supplementary Review Questions for Chapter 5)

III. MACROECONOMIC STABILIZATION AND MONETARY POLICY

Week 4 (Thurs Sept 27) Expectations, Nominal Rigidity, and Monetary Policy – 1

Reading: *Romer chapter 6, Part A and Sections 6.5 and 6.6.


Problem set 4: On moodle.

Week 5 (Thurs Oct 4) Expectations, Nominal Rigidity, and Monetary Policy – 2

Reading: *Romer chapter 6, Part B through end of chapter.

Problem set 5: On moodle.

Week 6 (Thurs Oct 11) DSGE Models of the Business Cycle

*First paper due in seminar*

Reading: Romer chapter 7

Problem set 6: On moodle.

*Ireland, Peter N (2011) “A New Keynesian Perspective on the Great Recession” Journal of Money, Credit, and Banking 43(1), February: 31-54

FALL BREAK, week of October 15

Week 7 (Thurs Oct 25) Inflation and Monetary Policy

Reading: Romer chapter 11


Problem set 7: On moodle.

IV. CONSUMPTION, INVESTMENT, AND LABOR MARKETS

Week 8 (Thurs Nov 1) Consumption

Reading: Romer chapter 8


Problem set 8: On moodle.
**Week 9 (Thurs Nov 8) Investment**

*Reading:* Romer Chapter 9  

*Problem set 9:* TBA

**Week 10 (Thurs Nov 15) The Labor Market and Unemployment**

*Reading:* Romer Chapter 10  
*Hall, Robert (2011) “Clashing Theories of Unemployment” *NBER Working Paper* No. 17179, June  

*Problem set 10:* TBA

V. **FISCAL POLICY AND FINANCIAL MARKETS**

**Week 11 (Thurs Nov 22) Fiscal Policy**

*Reading:* Romer chapter 12  
*Problem set 11:* TBA

**Week 12 (Time TBA*) Financial Markets and Recessions**

*We will try to reschedule this week’s seminar to the 17th, 18th or 20th of November, to avoid the normal rescheduling to Tuesday December 11.  
*Second paper due in seminar*  
*Reading:* Romer, Epilogue  
*Krugman, The Return of Depression Economics*  

*Problem set 12:* TBA
VI. LESSONS FROM THE GREAT RECESSION

Week 13 (Thurs Dec 6) Lessons from the Great Recession

Reading: Romer, Epilogue

Problem set 13: TBA

Final exam at scheduled time during finals week

Subject to revision. This version: October 29, 2012