This class provides a broad perspective on the state of macroeconomics and builds the tools for students to undertake their own research. There are two textbooks:

- Barro R. J. and Sala i Martin X., Economic Growth, MIT Press;
- Romer D., Advanced Macroeconomics, Mc Graw Hill.

Although they partially overlap, they should be considered complementary. Students are responsible for the chapters indicated below. In addition, they are expected to read some of the papers listed below. Since the list is rather long, I prefer students to exercise their own judgment in choosing the papers they wish to read. However, references in class and in the textbooks will indicate clearly which papers are “classic” and must be read. Other books that are useful for this course are:

- Ljungqvist L. and Sargent T., Recursive Macroeconomic Theory, MIT University Press.

The final grade will be a weighted average of the grades on weekly homework (20%), a midterm exam (30%), and a final exam (50%).

1. **Overview**

   (a) Blanchard O. J., What do we know about macroeconomics that Fisher and Wicksell did not?, *Quarterly Journal of Economics*, 2000, CXV:1375-1409


2. **A quick critical review of the AD-AS model**
3. The Rational Expectations Hypothesis (REH) and some early applications

(a) Romer, Ch. 5
(b) Begg D. K. H., The Rational Expectations Revolution in Macroeconomics, Ch. 3
(g) Fleming J. M., Domestic financial policies under fixed and under floating exchange rates, *IMF Staff Papers*, 1962, 9:369-379

4. The Workhorse of Modern Macro: The Neoclassical Growth Model

(a) Romer, Ch. 1-2-3
(b) Barro-Sala i Martin, Ch. 1-2-3-4


5. **An important application: Real Business-Cycle (RBC) theory**

(a) Romer, Ch. 4


If time allows we might also cover some of these topics:

1. **Details on investment and consumption**

(a) Romer, Ch. 7-8

(b) Friedman M., A theory of the consumption function, Ch. 2-3


2. **Unemployment**

(a) Romer, Ch. 9

3. **Money and inflation**

(a) Romer, Ch. 10


