Course Overview:

Instructor:
Simon Gilchrist
sgilchri@bu.edu
Room 404, 270 Bay State Road
Office Hours: T: 3:30-5:00, W 2:00-3:30

Course Description:
This course explores theoretical and empirical issues of central importance to macroeconomic research and policy. The major topics covered in this course include economic growth, consumption and savings, investment, business cycle fluctuations. The course also explores the relationship between monetary policy and output, and optimal monetary policy. The course examines the implications of macroeconomic theory for macroeconomic data. The course readings include selected chapters from the textbooks, class notes and original research articles.

Textbooks and Readings:
The following two textbooks are required for the course. You may order them online or access them on reserve at Mugar Library:

- Abel, Andrew, Ben Bernanke, and Dean Croushore, *Macroeconomics*, Addison Wesley, Sixth Edition. (This is listed as an undergraduate textbook that provides useful review material, it is not required).
- Lecture Notes and Readings will be posted on the blackboard web page.

Course Requirements:
We will have a midterm and a final exam. There will be six to seven homeworks given throughout the semester. The midterm accounts for 30% of your grade. The final exam accounts for 40% of your grade. Homeworks account for the remaining 30%. While you may work on homeworks with other students, each student must hand in their own homework to receive credit.
Course Topics:

Economic Growth:

• Some growth facts (Jones Chapter 1).
• Production functions.
• The Solow Growth Model. (Jones 2.1-2.3)
• Growth Accounting. (Jones 2.4)
• Convergence.
• Refresher on regression analysis.
• Growth Empirics. (Jones Chpt 3)
• Endogenous Growth (Jones 5.1-5.2)

Readings:
  – Class Notes
  – Abel et al. Chapters 3 and 6.
  – Romer, Chapter 1.

Consumption and Savings:

• A two-period example.
• Consumption Smoothing and The Permanent Income Hypothesis.
• The Random Walk Theory of Consumption.
• Consumption and Interest Rates.
• Consumption and Asset Prices.

Readings:
  – Class Notes.
  – Hall, JPE 1978
  – Abel et al. Chapter 4.
  – Romer Chapter 8.
Investment and Interest Rates:
- Investment and the User Cost of Capital.
- Stock Prices and Investment (Q Theory)
- Readings:
  - Class Notes
  - Abet et al. Chapter 4.
  - Romer Chapter 9.

Real Business Cycles:
- Real Business Cycle Models.
- Empirical Implications
- Readings:
  - Class Notes.
  - Romer Chapter 4.
  - Abel et al. Chapter 8 and 10.

Midterm Exam Oct 22nd

Inflation and Output:
- Markups and Imperfect Competition
- Price Adjustment and the Philips Curve
- An Equilibrium New Keynesian Model.
- Readings:
  - Class Notes
  - Abel et al. Chapter 7, 11 and 12.
  - Romer Chapter 5.
The Conduct of Monetary Policy:

- The Taylor Rule.
- Optimal Monetary Policy.
- The Zero Lower Bound.
- Readings:
  - Class Notes
  - Romer Chapter 11.

Financial Crises

- Class Notes

Unemployment and Output

- Class Notes
  - Romer Chapter 10

Final Exam (see final exam schedule).