

# Macroeconomics

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**Economics 402, Fall 2005**

## 1. Course Information

### 1.1. Version

This version: 31 August 2005.

### 1.2. Description

This is an intermediate course in macroeconomics, a broad and diverse discipline which seeks to understand how national economies work and interact, with a goal of understanding how national economies can be made to work and interact more efficiently. It is an interesting course for many undergraduates because it has a big picture, how-the-world-works quality, and because it provides valuable background.

The course is designed on a two-tier lecture format. We will spend about two-thirds of the time working on a textbook model of an aggregate economy, and the other one-third working on topics in macroeconomics by reading articles by economists. The two-track format will allow us to discuss interesting current events without having to wait until the end of the course. I have made the topics portion as complementary as possible with the textbook portion.

Macroeconomics is a technical, mathematically- and statistically-oriented field. Accordingly, some aspects of the course will be technical, with college-level mathematics commonly used.

The grade for the course is based on homework, worth 25% of the final grade, and three examinations, each worth 25% of the final grade. Each examination, including the final, covers the material since the previous exam.

The exam format will be as follows. There are multiple choice questions based on the textbook material. There are short problems which are versions of the homework assignments. And there is an essay question, which is based on one of the outside readings for that exam.

### 1.3. Disclaimer

This syllabus is subject to change during the course. The outline below is generally reliable, but substitutions or changes may be made as we progress through the course.

### 1.4. Time and Place

The class meets in Eliot 216 on Mondays and Wednesdays. Details about the schedule are listed below.

### 1.5. Required Text and Reading

1. Alan Auerbach and Lawrence Kotlikoff, *Macroeconomics: An Integrated Approach* (MIT Press). Second Edition.
2. The articles listed below.

### 1.6. Office Hours

Professor Bullard's office hours are after class and by appointment.

### 1.7. Teaching Assistant

The teaching assistant is Aarti Singh, a graduate student in economics.  
Office: McMillan 352.  
Email: [asingha@artsci.wustl.edu](mailto:asingha@artsci.wustl.edu)  
Office hours: To be announced, and by appointment.

**2. Macroeconomics E402**

**2.1. First exam material**

**Wednesday, August 31** Course overview.

**Monday, September 5** Labor Day, No Class.

**Wednesday, September 7** Auerbach and Kotlikoff, Chapter 1, “Outputs, Inputs, and Growth.”

**Monday, September 12** Stephen Parente and Edward Prescott. 1993. “Changes in the Wealth of Nations.” *Quarterly Review*, Federal Reserve Bank of Minneapolis, Spring, 3-16.

**Wednesday, September 14** Auerbach and Kotlikoff, Chapter 2, “The Dynamic Supply of Inputs.”

**Monday, September 19** More on Auerbach and Kotlikoff, Chapter 2, “The Dynamic Supply of Inputs.”

**Wednesday, September 21** Lant Pritchett. 1997. “Divergence, Big Time.” *Journal of Economic Perspectives*, Volume 11, Number 3 (Summer), pp. 3-18.

**Monday, September 26** Auerbach and Kotlikoff, Chapter 3, “The Dynamic Demand for Inputs and the Evolution of Output.”

**Wednesday, September 28** More on Auerbach and Kotlikoff, Chapter 3, “The Dynamic Demand for Inputs and the Evolution of Output.”

**Monday, October 3** Robert E. Lucas, Jr. 2000. “Some Macroeconomics for the 21st Century.” *Journal of Economic Perspectives* 14 (Winter), pp. 159-168.

**Wednesday, October 5** Review for exam.

**Monday, October 10** Exam 1.

**2.2. Second exam material**

**Wednesday, October 12** Auerbach and Kotlikoff, Chapter 4, “Economic Fluctuations.”

**Monday, October 17** Stephen Nickell. 1997. “Unemployment and Labor Market Rigidities: Europe Versus North America.” *Journal of Economic Perspectives*, Volume 11, Number 3 (Summer).

**Wednesday, October 19** Auerbach and Kotlikoff, Chapter 6, “Fiscal Policy, Saving, and Growth.”

**Monday, October 24** More on Auerbach and Kotlikoff, Chapter 6, “Fiscal Policy, Saving, and Growth.”

**Wednesday, October 26** George McCandless and Warren Weber. 1995. “Some Monetary Facts.” *Quarterly Review*, Federal Reserve Bank of Minneapolis, Volume 19, Number 3 (Summer), pp. 2-11.

**Monday, October 31** Auerbach and Kotlikoff, Chapter 7, “Money and Prices in the Closed Economy.”

**Wednesday, November 2** More on Auerbach and Kotlikoff, Chapter 7, “Money and Prices in the Closed Economy.”

**Monday, November 7** Thomas Sargent. 1983. “The Ends of Four Big Inflations.” In R. Hall, ed., *Inflation: Causes and Effects*. Chicago: University of Chicago Press.

**Wednesday, November 9** Review for exam.

**Monday, November 14** Exam 2.

**2.3. Third exam material**

**Wednesday, November 16** Auerbach and Kotlikoff, Chapter 8, “The Keynesian Model of Price and Wage Rigidity.”

**Monday, November 21** Christina Romer and David Romer. 1989. “Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz.” In: *NBER Macroeconomics Annual* 4, pp. 121-170.

**Wednesday, November 23** No Class, Thanksgiving Eve.

**Monday, November 28** Auerbach and Kotlikoff, Chapter 12, “Saving and Growth in the International Economy.”

**Wednesday, November 30** More on Auerbach and Kotlikoff, Chapter 12, “Saving and Growth in the International Economy.”

**Monday, December 5** Maurice Obstfeld. 1998. “The Global Capital Market: Benefactor or Menace?” *Journal of Economic Perspectives*, Volume 12, Number 4 (Fall), pp. 9-30.

**Wednesday, December 7** Auerbach and Kotlikoff, Chapter 13, “Money, Exchange Rates, and Policy in the Open Economy.”

**Monday, December 12** Review for exam.

**Final exam** Date to be announced.