

THE UNIVERSITY OF CHICAGO
Department of Economics

ECON 202, Macroeconomics 1
Spring 2006

Instructor:

Thomas Chaney, tchaney@uchicago.edu

Office: Rosenwald 318H, Phone: 773-702-5403

Office Hours: Monday, 1:30-3:30PM, or by arrangement.

Teaching Assistant:

Hugo Garduno, hgarduno@uchicago.edu

Office Hours and Location: TBA

Recommended Texts:

Most of you will not find this course difficult if you come to the classes and read related material in Barro and DLS:

1. Robert J. Barro, *Macroeconomics*, 5th ed., MIT Press, 2001. (“Barro”)
2. Matthias Doepke, Andreas Lehnert, and Andrew W. Sellgren, *Macroeconomics*, 1998. (“DLS”)

The former is available at the Seminary Co-op. The relevant chapters from the latter will be posted on chalk. Extra readings will be assigned from time to time.

Prerequisites: ECON 201.

Problem Sets:

There will be weekly problem sets, mostly expanding upon material covered in lectures and the texts. The problem sets will be posted on chalk and each will be due a week after it has been made available. No late work will be accepted.

Midterm: The midterm will be in class, on the 6th week of the Quarter, on Monday, May 3rd.

Final: The final will be on the date assigned by the registrar during the week of June 5-9.

Grading:

The **problem sets** will count towards **30%** of the Final Grade.

The **midterm** will count towards **30%** of the Final Grade.

The **final** will count towards **40%** of the Final Grade.

Special Notes: Although class participation and attendance to discussion sessions do not count formally, they are both strongly encouraged. Hints for the problem sets, as well as instructions, will be presented in the discussion sessions. Solutions to the problem sets will be posted on chalk.

Course Outline

Section 1: Preliminaries

- National income accounting
- What are the facts?

Readings: Barro Chap. 1

Section 2: Labor-Leisure Choice

- Consumption and leisure in a static two-goods model
- Constrained optimization mathematics

Readings: Barro Chap. 2, DLS Chap. 1-3

Section 3: Intertemporal Consumption/Savings Choice

- Two-period models of saving
- Infinite-life consumption model

Readings: Barro Chap. 3, DLS Chap. 1-3

Section 4: Equilibrium in the Labor Market

- Labor demand and supply
- Wages

Readings: Barro Chap. 6, DLS Chap. 6

Section 5: Money Demand

- Optimal money holding
- Monetary velocity

Readings: Barro Chap. 4, DLS Chap. 4

Section 6: Equilibrium in the Goods and Money Markets

- Clearing the goods market
- Clearing the money market
- Effects of Shocks
 - Supply Shocks (Temporary and Permanent)
 - Money Shocks
- Properties of Equilibrium: Walras' Law and the First Welfare Theorem

Readings: Barro Chap. 5, DLS Chap. 5

Section 7: Money and Inflation

- Quantity Theory of Money
- Expected and actual inflation (and related interest rate effects)
- Adding money to an equilibrium model: Cash-in-Advance

Readings: Barro Chap. 7-8, DLS Chap. 8

Section 8: Growth

- Solow growth model
- Convergence
- New Growth Theory
- Policies that Promote Technological Progress
- Simulating the Solow Model

Readings: Lucas Ch.4 and Ch.5, Barro Chap. 9(pt) and 11, DLS Chap. 11