

**PORTLAND STATE UNIVERSITY
DEPARTMENT OF ECONOMICS
EC-590 APPLICATIONS OF ADVANCED MACROECONOMIC THEORY
SPRING 2009**

INSTRUCTOR: Olena Kostyshyna, Assistant Professor of Economics

CLASS TIME: MWF 9.00-10.05 in NH 204

OFFICE HOURS: MWF 10.15-11.15 and by appointment

FINAL EXAM: June 9, Tuesday at 8.00-9.50 am

OFFICE: Cramer Hall 241-I

PHONE: 503-725-3942

EMAIL: okostysh@pdx.edu

COURSE WEBSITE: <http://web.pdx.edu/~okostysh/econ590/>

COURSE OBJECTIVES

This course is an examination of macroeconomic theory that serves as a basis of the analysis and design of macroeconomic policies. This course starts with the topics in macroeconomic fluctuations, including the real business cycle theory. The course continues with the discussion of nominal rigidities and their role in the analysis of macroeconomic policies. Then the course will proceed with topics in monetary theory and policy, the short-run and long-run effects of monetary policy, transmission mechanism and discussion of policy rules.

TEXTBOOKS

This is a required book for this course.

David Andolfatto Macroeconomic theory and policy.

You can download this book for free at <http://www.sfu.ca/~dandolfa/>

The following books will be used in this course.

D. Romer Advanced Macroeconomics. 3rd edition. New York, McGraw-Hill

Bruce Champ and Scott Freeman. Modeling monetary economies. 2nd edition. Cambridge University Press

Carl E. Walsh Monetary theory and policy.

Other reading materials such as journal articles will be distributed in class.

If you need to review topics in intermediate macroeconomics, this book can be used:
Blanchard, Olivier. 2008. Macroeconomics. 5th edition Pearson Prentice Hall. This book is available on RESERVE in the library.

GRADING.

1. 4 Home assignments: 20 %
2. Midterm Exam (May 8): 30 %
3. Final Exam (June 9): 50 %

DUE DATES for assignments: April 17, May 1, May 22, June 5.

COURSE OUTLINE.

This is the tentative list of topics that will be covered in this class.

Introduction (Andolfatto, Ch. 1)

Part I. Fluctuations.

1. Output and employment. (Andolfatto, Ch. 2)
2. Uncertainty and expectations. (Andolfatto, Ch. 3)
3. Unemployment (Andolfatto, Ch. 4)
4. Consumption and saving. (Andolfatto, Ch. 5)
5. Capital and investment. (Andolfatto, Ch. 7)
6. Real business cycle models (Romer, Ch. 4)
7. Nominal rigidities (Romer, Ch. 5.3), Lucas Islands model (Romer, Ch. 6 Part A) and New Keynesian models of fluctuations (Romer Ch. 6 Part B, Walsh Ch. 5)

Part II. Monetary theory and policy.

1. A simple model of money, inflation and monetary policy (Champ and Freeman Ch. 1, 3, 5)
2. Rules versus discretion: dynamic inconsistency and optimal monetary policy. Taylor rule. Inflation targeting. (Romer Ch 9)
3. New Keynesian monetary model (Walsh Ch. 5)

Remark: The above outline is highly ambitious; it is very likely that not all topics will be covered.

ATTENDANCE. You are responsible for everything that happens in the class, including any changes made to the above list.

All revisions of the graded work (home assignments and midterm exam) must be done within one week of its return to the students.

University policy, which calls for severe sanctions for cheating or any other form of academic dishonesty, will be enforced in this class.

Students with disabilities will be accommodated. Please, see me if you require particular resources for your education.