Duke University, Economics 702   Fall 2017
Macroeconomic Analysis I (Part 1)   Craig Burnside
MW 1005a-1120a, SocSci 111   craig.burnside@duke.edu

Among other things, macroeconomics studies the determination of, and dynamic interactions
among, aggregate variables such as output, consumption, investment and employment and an-
swers questions about the properties of economic equilibria, as well as the effects and desirability
of various government policies. The goal of this course is to briefly introduce you to some core
topics in macroeconomics while, more importantly, equipping you with important theoretical and
empirical tools. The exact set of topics covered depends on time constraints.

Administrative Information

The course is supported by two TAs, Sumin Chun and David Min.

My office hours: By appointment only.
Course website: sakai.duke.edu (my materials will appear in the Resources folder)

Schedule

There will be twelve lectures (Aug 28, 30; Sep 4, 6, 11, 13, 18, 20, 25, 27; Oct 2, 4) followed by
an exam on Oct 11 that will serve as the final exam for my portion of course. The final exam for
Francesco Bianchi's portion of the course will be entirely separate.

Grading

The final exam will be held on Oct 11, **830am-1120am** in SocSci 111. Assignments will be given
out weekly and count for 15% of the final grade for my portion of the course.

Books

You are not required to purchase a textbook for my portion of the course. You should check in
advance regarding Bianchi's portion of the course. However, my syllabus does include a limited
number of recommended readings from two books. You will likely need the Ljungqvist-Sargent text
for Econ 706.

- Stokey, N.L. and R.E. Lucas Jr., with E.C. Prescott. *Recursive Methods in Economic Dy-
  namics*. Cambridge: Harvard Press, 1989. (Referred to below as SLP.)

- Ljungqvist, L. and T.J. Sargent. *Recursive Macroeconomic Theory*, 3rd ed. Cambridge: MIT
  Press, 2012. (Referred to below as LS.)

My undergraduate notes might also be useful as background reading:

- Burnside, C. (2009) *Dynamic Macroeconomics*. Manuscript, Duke University. (Referred to
  below as B, and available on Sakai.)

Syllabus

0. Background reading / stuff you should know already

a. How we "do" macro

- Athreya, K.B. (2013) *Big Ideas in Macroeconomics: A Nontechnical View*. MIT Press. Ch. 1.

b. Basic microeconomics: Producer and consumer theory

- Varian, H.R. (1984) *Microeconomic Analysis*, 2nd ed. Norton. Chs. 1 & 3.

c. Undergraduate level dynamic macroeconomics

- B. Chs. 2–5.

1. Deterministic Dynamic Programming

- SLP, Chs. 3 & 4.
- LS, Chs. 3.1 and App. A.

2. Competitive Equilibrium and the Welfare Theorems

- LS, Ch. 7.

3. Deterministic Equilibrium Dynamics in Linear Models

- Sargent, T.J. (1987) *Macroeconomic Theory*, 2nd ed. Academic Press. Ch. 9.

4. Primer on Time Series Econometrics
5. Dynamic Stochastic Models & Equilibrium

- Hansen, G.D. and E.C. Prescott (1995) Recursive methods for computing equilibria of business cycle models, in T.F. Cooley ed. *Frontiers of Business Cycle Research*. Princeton Press.
- LS, Ch. 12.

6. Stochastic Equilibrium Dynamics

- Sargent, T.J. *Macroeconomic Theory*, 2nd ed. Academic Press, 1987. Ch. 11.

7. Real Business Cycle Models

- King, R.G. and S.T. Rebelo (1999) Resuscitating real business cycles, in J.B. Taylor and M. Woodford, Eds. *Handbook of Macroeconomics*, Vol. 1B. Elsevier. pp. 927–1007.
- Prescott, E.C. (1986) Theory ahead of business cycle measurement. *Quarterly Review*, Federal Reserve Bank of Minneapolis. Fall, 9–22.
- Summers, L.H. (1986) Some skeptical observations on real business cycle theory. *Quarterly Review*, Federal Reserve Bank of Minneapolis. Fall, 23–27.
- Prescott, E.C. (1986) Response to a skeptic. *Quarterly Review*, Federal Reserve Bank of Minneapolis. Fall, 28–33.
- Plosser, C.I. (1989) Understanding real business cycles. Journal of Economic Perspectives, 3: 51–78.
- Mankiw, N.G. (1989) Real business cycles: A New Keynesian perspective. Journal of Economic Perspectives, 3: 79–90.