Economics 511b: General Economic Theory: Macroeconomics
Yale University
Spring 2006 (Part II)
George Hall

Course Outline and Reading List

The basic reference for this part of the course is *Monetary Theory and Policy, 2nd edition* by Carl E. Walsh. If you do not already own the text, it may be purchased from amazon.com or from most academic bookstores. The Walsh text is oriented toward the close connection between monetary economics and macroeconomics, and this part of the course will share that emphasis. It is my understanding that students already own *Recursive Macroeconomic Theory, 2nd edition* by Lars Ljungqvist and Thomas Sargent and David Romer’s *Advanced Macroeconomics, 2nd edition*. These two texts also provide excellent presentations of several of the topics discussed. At times in the course we will follow Ljungqvist-Sargent closely; but at other times, we will more closely follow Walsh.

The goal of this section of the course is to provide you with an introduction into monetary economics (models of fiat money and time inconsistency) and an understanding of the connections between monetary theory and modern theories of short-run fluctuations (e.g. real business cycle theory and sticky-price models). The readings focus on material that you are expected to become familiar with. This list is not anything like a full bibliography of interesting work on the topics covered or on monetary- and macro-economics in general. Walsh’s book (as well as the Romer and Ljungqvist-Sargent texts) contain many suggestions for further reading, as do the assigned papers. Much of the omitted material in these books is useful too, but there is a limit to what one can expect to do in thirteen lectures.

The teaching fellow for this course is Rafael Melo. He will continue grading the problem sets, running weekly recitation sections, and holding weekly office hours.

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The home page for this course is http://www.econ.yale.edu/~gjh9/econ511b/. Announcements, problem sets, computer programs, and additional handouts will be posted on this page. You are encourage to check the web page regularly.

There will be weekly problem sets and an examination. The course grade will be based on the problem sets and examinations from the two parts of the course.
1. Monetary Facts and an Overview

- Walsh, chapter 1

2. Two Theories of Money, the Optimum Quantity of Money, and the Welfare Cost of Inflation

(a) The Townsend Turnpike Model

- Ljunqvist-Sargent, chapter 25

(b) The Cash-in-Advance Model

- Walsh, section 3.3

3. Fiscal-Monetary Theories of Inflation

- Walsh, chapter 4
- Ljunqvist-Sargent, chapter 24
4. A Monetary Model with Stickiness

- Walsh, chapter 5
- Romer, chapter 6

5. Time Inconsistency

- Walsh, chapter 8
- Ljungqvist and Sargent, chapter 22 and sections 24.6-24.8
- Romer, chapter 10