

Monetary and Fiscal Policy

Econ 243

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Fall 2014
T-Th 1:30-3:00
Room: MCNB 395

This course is an advanced course on monetary and fiscal policy. You will be expected to understand models of the economy and to use them to understand the issues we will address. The course assumes a fairly high level of analytic sophistication. We will also have required computational assignments.

T.A.: Our T.A. is David Zarruk-Valencia McNeil 325. He will be holding regular office hours. He will also hold special recitations on key topics, as well as review sessions before the midterm and the final. Currently we are planning a calculus and optimization review recitation, a Matlab recitation, and a probability theory recitation. These will normally occur on Fridays right around the time we are covering this material. They will be announced on Canvas in advance. David will also announce his office hours there.

Textbook: The main text will be the notes that I will make available to you. These notes brand new and hence are a bit rough and are still evolving. They will be posted online in Canvas, and I will make every effort to update them in response to questions and issues that come up in class. In addition, we will have supplemental readings, some of which will be posted online.

Homework: There will be regular homework assignments, and these will play an important part in the course. We are trying to understand quantitative macroeconomic models. For that reason you will be asked to program up various versions of these models in Matlab. The homeworks should be emailed or handed in to the T.A. before his office hours begin on their due date. This will enable him to talk over the homework assignments with you in a timely manner. The best way to hand in your homework is emailing it to David:

davidza@sas.upenn.edu

Grading: There will be a midterm and a final exam. The weight will be 1/4 on the homework, 1/4 on the midterm and 1/2 on the final. I will handout supplemental problems for you to work on to aid you in preparing for the exams. The exams will draw on the lectures and the supplemental readings. **The midterm will be on Oct 16.**

Office Hours: My office hours are tentatively scheduled for Wednesdays 11-12am McNeil 436. But this will be subject to change during the semester. Please check the announcements on Canvas. Also, if you cannot make these hours, I can make arrangements to meet with you at other times.

Computing: The class will feature computer assignments. At least one of them, and probably more, will require you to solve a system of nonlinear equations. The standard mechanism for doing so is `fsolve.m`, which is a component of the optimization toolbox. That toolbox can be purchased along with the student edition of matlab for \$10 - see

http://www.mathworks.com/academia/student_version/details.html . Also, Matlab is available at various sites around the campus - see

http://www.library.upenn.edu/computing/laptops_labs.html .

Preliminary List of Supplemental Readings:

1. N. Ferguson, "The Ascent of Money," chapter 1&3.
2. G. McCandless and W. Weber, "Some Monetary Facts," Federal Reserve Bank of Minneapolis Quarterly Review.
3. Atkeson and Kehoe, "Depression and Deflation: Is there an empirical link?," Federal Reserve Bank of Minneapolis Staff Report.
4. Cole and Kocherlakota, "Why Zero Interest Rates are Good and How to Get Them," Federal Reserve Bank of Minneapolis, Quarterly Review, Spring 1998.
5. R. King, "The Phillips Curve and U.S. Macroeconomic Policy: Snapshots, 1958-1996," Economic Quarterly of the Federal Reserve Bank of Richmond, Fall 2008.
6. Atkeson, Chari and Kehoe, "Taxing Capital Income: A Bad Idea," Federal Reserve Bank of Minneapolis Quarterly Review Summer 1999.
7. E. Prescott, "Why Do Americans Work So Much More Than Europeans?," Federal Reserve Bank of Minneapolis Staff Report 321.

Background Reading: You may find it helpful to consult a few sources for material on optimization, probability theory and computing. The obvious source are you prior textbooks. Some additional suggestions are:

1. A.K. Dixit, Optimization in Economic Theory, chapters 1-5.
2. <http://jeremykun.com/2013/01/04/probability-theory-a-primer/>
3. http://web2.clarkson.edu/class/ma571/Xeno-MATLAB_guide.pdf