

BGSE Macroeconomics I - Part 2

Prof. Keith Kuester

Winter term, 2020/21

Outline:

This is the second part of the first PhD macro sequence. The sequence aims at introducing students to basic techniques and concepts. The course is organized around the neoclassical growth model and its offspring. We discuss asset pricing in macro models and the real business cycle model. Then, we introduce money and discuss fiscal-monetary interaction. Last, we introduce nominal rigidities, using the New Keynesian business-cycle model as a backbone. Time permitting, we will delve into distributional effects of monetary policy.

For this part of the course, it is expected that students have participated actively in BGSE Macroeconomics I – Part 1 (Moritz Kuhn’s part). In particular, I expect familiarity with dynamic programming, the welfare theorems, the neoclassical growth model, and basic aggregation under complete markets.

Required Reading:

Ljungqvist and Sargent (2012) will be good background reading. Consulting Walsh (2010) provides for the monetary economics part. Additional readings are assigned as the course progresses.

Overview

Ch. 0 Preliminaries.

[On e-campus for self-study]

Ch. 1 Asset prices in macro.

[Ljungqvist and Sargent (2012), ch. 13]

Ch. 2 Real business cycle model.

[King and Rebelo (1999); Ljungqvist and Sargent (2012), ch. 12]

Ch. 3 Classical monetary model.

[Walsh (2010), ch. 10]

Ch. 4 Monetary fiscal interaction.

[Leeper and Leith (2016); Walsh (2010), ch. 4.2; Ljungqvist and Sargent (2012), ch. 26]

Ch. 5 Nominal Rigidities – New Keynesian Model.

[Walsh (2010), ch. 8]

References

King, R. G. and Rebelo, S. T. (1999), ‘Resuscitating real business cycles,’ in: J. B. Taylor and M. Woodford (eds.), ‘Handbook of Macroeconomics,’ *Handbook of Macroeconomics, Elsevier*, volume 1, chapter 14, Elsevier, pp. 927–1007.

Leeper, E. and Leith, C. (2016), ‘Chapter 30 - Understanding Inflation as a Joint Monetary-Fiscal Phenomenon,’ *Handbook of Macroeconomics*, volume 2, Elsevier, pp. 2305 – 2415.

Ljungqvist, L. and Sargent, T. J. (2012), *Recursive Macroeconomic Theory, Third Edition, MIT Press Books*, volume 1, The MIT Press.

Walsh, C. E. (2010), *Monetary Theory and Policy, Third Edition*, number 0262013770 in MIT Press, The MIT Press.