

# BGSE Macroeconomics I - Part 2

Prof. Keith Kuester

Winter term, 2022/23

## 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 (as discussed by Moritz), and basic aggregation under complete markets.

## Required Reading:

Ljungqvist and Sargent (2018) will be good background reading. Consulting Galí (2015) 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 (2018), ch. 13]

Ch. 2 Growth and real business cycles.

[Jones (2016); King and Rebelo (1999); Ljungqvist and Sargent (2018), ch. 15]

Ch. 3 Classical monetary model.

[Galí (2015), ch. 2]

Ch. 4 Monetary fiscal interaction.

[Leeper and Leith (2016); Ljungqvist and Sargent (2018), ch. 27]

Ch. 5 Nominal Rigidities – New Keynesian Model.

[Galí (2015), ch. 3]

## References

Galí, J. (2015), *Monetary Policy, Inflation, and the Business Cycle, 2nd edition*, Princeton University Press.

Jones, C. (2016), ‘Chapter 1 - The Facts of Economic Growth,’ *Handbook of Macroeconomics*, volume 2, Elsevier, pp. 3 – 69.

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 MonetaryFiscal Phenomenon,’ *Handbook of Macroeconomics*, volume 2, Elsevier, pp. 2305 – 2415.

Ljungqvist, L. and Sargent, T. J. (2018), *Recursive Macroeconomic Theory, Third Edition*, number 0262018748 in MIT Press Books, The MIT Press, 4 edition.

Rough schedule winter term 2022/2023

- Th., Dec. 1: Intro–asset prices.
- Fr., Dec. 2: Asset prices.
- Th., Dec. 8: Growth and real business cycles.
- Fr., Dec. 9: Growth and real business cycles
- Th., Dec. 15: Problem Set 4: asset pricing.
- Fr., Dec. 16: Classical monetary model.
- Th., Dec. 22: Fiscal-monetary interaction.
- Fr., Dec. 23: Fiscal-monetary interaction.

————— Winter break —————

- Th., Jan. 12: Problem Set 5: RBC model
- Fr., Jan. 13: New Keynesian model.
- Th., Jan. 19: New Keynesian model.
- Fr., Jan. 20: New Keynesian model.
- Th., Jan. 26: New Keynesian model.
- Fr., Jan. 27: Problem Set 6: Monetary models.

————— End of course —————