Macroeconomics III

Spring 2019

Martín Gonzalez-Eiras

Syllabus - preliminary

Main bibliography:
(DN) Niepelt, D., "Macroeconomic Models", *forthcoming*, MIT Press

Additional bibliography to be uploaded to course website (starred readings):
(BF) Blanchard, O. and S. Fisher, "Lectures on Macroeconomics", 1989, MIT Press
(DR) Romer, D., "Advanced Macroeconomics", 2012, McGraw Hill, fourth edition
(OR) Obstfeld, M. and K. Rogoff, "Foundations of International Macroeconomics", 1998, MIT Press, first edition
(PT) Persson, T. and G. Tabellini,"Political Economics", 2000, MIT Press

DN and all starred references from other textbooks is required reading for the final exam.

You need a pass grade in three of the course's four assignments to be able to take the final exam.

Lecture plan:

Lecture 1: Introduction to the course. Facts and methodology. Microeconomic concepts. Households intertemporal optimization problem.

DN 1.1, 1.2, 2.1

Lectures 2 and 3: Ramsey model in discrete time. Capital accumulation. Phase diagram analysis. Welfare. Government spending. Response to anticipated and unanticipated shocks. Public debt and Ricardian equivalence. Labor leisure choice. Distortionary capital income taxation.

DN 2.1, 3.1, 11.1, 11.2.1, 6.1, DR 2.7

Lectures 4: Overlapping generations Diamond model. Capital accumulation. Logarithmic utility and Cobb-Douglas technology. Dynamic efficiency.

DN 3.2,

Lectures 5 and 6: Effects of taxes and government spending. Ricardian equivalence. Public debt and social security. Money.

DN 11.2.2, 11.2.3, 11.3, 9.2, BF 3.2, BF 4.1

Lecture 7: Open economy in intertemporal setting. Small open economy with a representative agent. Intertemporal budget constraint. Independence of consumption and investment choices.

DN 7.1, 7.2, 7.3, *OR 3.2, 3.5

Lecture 8: Rational expectations. Lucas model.

*BF 5.1, *DR 6.9

Lecture 9: Dynamic Stochastic General Equilibrium models. Basic RBC model with stochastic productivity shocks. Calibration and limitations.

DN 6.3.1

Lectures 10 and 11: Monopolistic competition. Nominal rigidities, Fischer and Calvo models. Introduction to New Keynesian models.

*BF 8.1, *DR 7.1, 7.4 and slides

Lectures 12, 13 and 14: Positive theories. Credibility issues in monetary policy (Barro Gordon model), social security (as an example of fiscal policy), and sovereign debt (as an example for the open economy). Applied repeated games and reputation.

*PT 6.1-2, 15.1-4, 17.2, *OR 6.1.2 and slides