

International Economics

Academic year 2024-2025

Macroeconomics A

EI056 - Autumn - 6 ECTS

Monday 16h15 - 18h00

Course Description

The class is the first half of the macroeconomics sequence. It presents the main topics of long- and short-run macroeconomics in closed economies from a modern perspective. Topics covered include: economic growth and comparative development from a macroeconomic perspective, business cycle facts, dynamic stochastic general equilibrium models, monetary economics, financial stability, heterogeneous agent models, and macroeconomic models of frictional unemployment. The course aims to provide students with both an overview of modern macroeconomics, and to train them in the core theoretical, empirical, and computational methods of the field.

> PROFESSOR

[Johannes Boehm](#)

[Office hours](#)

> ASSISTANT

Guido Stefano Alessandro
Ardizzone

[Office hours](#)

IMPORTANT

Regular attendance is compulsory, and any absence must be promptly communicated to the teacher. In the event of missing more than two sessions, students are expected to provide well-documented justifications for unforeseeable circumstances (e.g. illness, accident, death of a relative), directly to the Direction of Studies. Failure to justify absences beyond two sessions will result in the assignment of code N.

Students are also reminded of the following legal rules:

The teacher owns the **copyright** on the material they created for this course. As such, any reproduction or distribution of this document, in whole or in part, as well as of any other material created by the teacher for the course, is prohibited unless permission is granted by the author.

Recording (as video or audio) a course without the consent of the teacher and other participants is strictly forbidden.

Syllabus

This course is a standard graduate macroeconomics sequence, covering long-term and short-term closed-economy macroeconomic models. The objectives are to convey the most important mainstream theories as well

as to give students the methodological tools (including theoretical and computational tools) to dig deeper into the macroeconomic literature.

The course is accompanied by problem sets which are discussed in the weekly review sessions with the TA.

Evaluation:

Evaluation is based on two hand-in problem sets, and a final exam. The composition of the final grade will be confirmed at the start of the semester, but most likely each of the components will account for one third of the final grade.

Textbooks:

I don't recommend getting any particular textbook, unless students prefer an alternative presentation of the material. The following textbooks cover most of the content of the course:

- Barro, Robert, and Xavier Sala-i-Martin. "Economic growth second edition." (2004).
- David Romer, Advanced Macroeconomics, 5th edition
- Walsh, Carl E. Monetary theory and policy. MIT press, 2017.
- Galí, Jordi. Monetary policy, inflation, and the business cycle: an introduction to the new Keynesian framework and its applications. Princeton University Press, 2015.

The following is a rough outline of the topics covered, along with textbook treatments, references to the original work, and further readings.

1. Introduction to Macroeconomics. Growth/Development facts. Solow growth model.

Barro and Sala-i-Martin, Chapter 1
Romer, Chapter 1

Caselli, Francesco. "Accounting for cross-country income differences." Handbook of economic growth 1 (2005): 679-741.

2. The Neoclassical Growth Model. Endogenous Growth.

Barro and Sala-i-Martin, Chapters 2 and 6
Romer, Chapters 2 and 3

3. Business cycle facts. The real business cycle model.

Romer, Chapter 5

Stock, James H., and Mark W. Watson. "Business cycle fluctuations in US macroeconomic time series." Handbook of macroeconomics 1 (1999): 3-64.

Rebelo, Sergio. "Real Business Cycle Models: Past, Present and Future." Scand. J. of Economics 107, no. 2 (2005): 217-238.

4. RBC beyond aggregate TFP shocks

Romer Chapter 6

Long Jr, John B., and Charles I. Plosser. "Real business cycles." Journal of Political Economy 91, no. 1 (1983): 39-69.

Bils, Mark. "The cyclical behavior of marginal cost and price." American Economic Review (1987): 838-855.

Bloom, Nicholas. "The impact of uncertainty shocks." Econometrica 77, no. 3 (2009): 623-685.

Gabaix, Xavier. "The granular origins of aggregate fluctuations." Econometrica 79, no. 3 (2011): 733-772.

Basu, Susanto, and John G. Fernald. "Returns to scale in US production: Estimates and implications." *Journal of Political Economy* 105, no. 2 (1997): 249-283.

Acemoglu, Daron, Vasco M. Carvalho, Asuman Ozdaglar, and Alireza Tahbaz-Salehi. "The network origins of aggregate fluctuations." *Econometrica* 80, no. 5 (2012): 1977-2016.

5. RBC/DSGE with imperfect competition.

Rotemberg, Julio J., and Michael Woodford. "Oligopolistic pricing and the effects of aggregate demand on economic activity." *Journal of Political Economy* 100, no. 6 (1992): 1153-1207.

Rotemberg, Julio J., and Michael Woodford. *Dynamic general equilibrium models with imperfectly competitive product markets*. No. 4502. Cambridge, Mass., USA: National Bureau of Economic Research, 1993.

Foster, Lucia, John Haltiwanger, and Chad Syverson. "Reallocation, firm turnover, and efficiency: Selection on productivity or profitability?." *American Economic Review* 98, no. 1 (2008): 394-425.

6. Money. Vector Autoregressions. New Keynesian Model

Gali, Chapter 3
Romer Chapter 7

Christiano, Lawrence J., Martin Eichenbaum, and Charles L. Evans. "Monetary policy shocks: What have we learned and to what end?." *Handbook of macroeconomics* 1 (1999): 65-148.

John Cochrane, "Interest rates and Inflation". johnhcochrane.blogspot.com, Part 1, Part 2, Part 3

Sims, Christopher A. "Macroeconomics and reality." *Econometrica* (1980): 1-48.

7. New Keynesian Model, Part II

Gali, Chapter 3
Romer Chapter 7

8. Optimal Monetary Policy in the NK model. Discretion vs commitment, time inconsistency of monetary policy.

Gali Chapter 5
Walsh Chapter 7

9. Credit Frictions

Romer Chapter 10.2
Walsh Chapter 10.5

Bernanke, Ben S., Mark Gertler, and Simon Gilchrist. "The financial accelerator in a quantitative business cycle framework." *Handbook of macroeconomics* 1 (1999): 1341-1393.

Kiyotaki, Nobuhiro, and John Moore. "Credit cycles." *Journal of political economy* 105, no. 2 (1997): 211-248.

10. Consumption. Market incompleteness and the Permanent Income Hypothesis. Heterogeneous Agents in partial equilibrium. Empirical evidence.

Romer Chapter 8

Carroll, Christopher D. "Buffer-stock saving and the life cycle/permanent income hypothesis." *The Quarterly journal of economics* 112, no. 1 (1997): 1-55.

Aiyagari, S. Rao. "Uninsured idiosyncratic risk and aggregate saving." *The Quarterly Journal of Economics* 109, no. 3 (1994): 659-684.

Parker, Jonathan A., Nicholas S. Souleles, David S. Johnson, and Robert McClelland. "Consumer spending and the economic stimulus payments of 2008." *American Economic Review* 103, no. 6 (2013): 2530-2553.

Orchard, Jacob, Valerie A. Ramey, and Johannes F. Wieland. *Micro MPCs and macro counterfactuals: the case of the 2008 rebates*. No. w31584. National Bureau of Economic Research, 2023.

Boehm, Johannes, Etienne Fize, and Xavier Jaravel. "Five facts about MPCs: Evidence from a randomized experiment." (2023).

11. Aggregate uncertainty in models with heterogeneous agents

Krusell, Per, and Anthony A. Smith, Jr. "Income and wealth heterogeneity in the macroeconomy." *Journal of Political Economy* 106, no. 5 (1998): 867-896.

Kaplan, Greg, and Giovanni L. Violante. "A model of the consumption response to fiscal stimulus payments." *Econometrica* 82, no. 4 (2014): 1199-1239.

Kaplan, Greg, Benjamin Moll, and Giovanni L. Violante. "Monetary policy according to HANK." *American Economic Review* 108, no. 3 (2018): 697-743.

12. Models of frictional labor markets. Diamond-Mortensen-Pissarides

Pissarides, Christopher A. *Equilibrium unemployment theory*. MIT press, 2000. (in particular Chapter 1)

Rogerson, Richard, Robert Shimer, and Randall Wright. "Search-theoretic models of the labor market: A survey." *Journal of economic literature* 43, no. 4 (2005): 959-988.