

**MACROECONOMICS II**  
**ECON 6140**  
**(SECOND HALF)**  
**CORNELL UNIVERSITY**  
**SPRING 2025**

Professor: Kristoffer Nimark

Class time and place: 2.55-4.10 pm Rockefeller Hall 104

Office hours: Thursdays 4.30-6pm

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**Overview**

The course covers New Keynesian business cycle theory with applications to monetary policy. It also introduces students to some tools for applied macroeconomic research.

**Administrative matters**

Grades will be based on the final exam (60%) and 4 homework assignments ( $4 \times 10\%$ ).

Final exam: Date TBD.

**Lecture 1: Introduction and overview.**

- What makes macro macro?
- Business cycles
- Course overview
- Linear difference equations

**Lecture 2: A classical monetary model.**

- The representative household
- Firms and production

Gali Ch. 2

**Lecture 3-4: The basic New Keynesian model.**

- Monopolistic competition
- CES demand systems
- Calvo pricing and the New Keynesian Phillips Curve
- Monetary non-neutrality

Gali Ch. 3

**Lecture 5: Solving linear rational expectations models.**

- Method of undetermined coefficients
- Iterative projections based methods
- Stable-unstable decoupling

Lecture notes.

**Lecture 6: Monetary policy.**

- Fluctuations, welfare, efficiency

Gali Ch. 4

**Lecture 7: Policy trade-offs.**

- Cost-push shocks
- Discretion vs commitment

Gali Ch. 5

**Lecture 8: Sticky wages.**

- Monetary policy design with sticky wages
- Simple rules

Gali Ch. 6

**Lecture 9: Unemployment.**

- Unemployment and monetary policy

Gali Ch. 7

**Lecture 10: State space models and the Kalman filter.**

- State space representation of linear difference equations
- The Kalman filter

Lecture notes on Kalman filter

**Lecture 11: Calibration and Moment Matching.**

- Choosing parameter for a model
- Calibration vs indirect inference

Articles on Canvas

**Lecture 12: Likelihood based estimation.**

- Numerical optimization
- Models and likelihood functions

Selected chapters of Hamilton.

## REFERENCES

- [1] Gali, Jordi, *Monetary Policy, Inflation, and the Business Cycle*, Princeton University Press 2015.
- [2] Hamilton, James D., 1994, *Time Series Analysis*, Princeton University Press.