Syllabus: Economics 704b · Macroeconomics
Prof. Adam M. Guren · Boston University · Spring 2017

Logistics

Instructor:
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Overview:
This is the second half of the second semester first-year Ph.D. course in macroeconomics. The course focuses on Monetary Economics and particularly the New Keynesian Model. The course begins with a review of the Real Business Cycle framework. After considering the evidence for monetary non-neutrality, the course develops the basic building blocks of the New Keynesian framework by adding money, imperfect competition, and nominal rigidity to the RBC model. The course then turns to the conduct of monetary policy. After discussing the liquidity trap and policy in a liquidity trap, we will turn to recent topics in macroeconomics related to the Great Recession and its aftermath.

Textbooks and Course Materials:

- Lecture Notes and Readings will be posted on the Blackboard web site.
  - Readings outside of textbook and readings listed below each topic will be added and announced via e-mail.

- Textbook:

- Other Suggested Macroeconomics Textbooks

**Requirements:**

- **Final Exam**
  - 2 hours, exclusively on second half of semester.
  - Scheduled by Registrar.
  - More information will be announced closer to the exam.

- **Problem Sets**
  - You are encouraged to work in groups
  - If you do so you must indicate who you worked with
  - Each student must hand in their own write up, preferably a PDF in \LaTeX{} (I recommend Lyx as an editor if you are looking for one).
  - Grading: Check+, Check, Check-, 0.
    - If you make an effort to answer every problem you will get a check, which is considered full credit.
    - The problem sets will be difficult, and I want to reward tackling the problem rather than getting everything right.

- **Grading For This Half of Course: 75% Final, 25% Problem Sets**
  - Regrade Policy: If you do not agree with your score, you may ask me for a regrade.
    - I will personally regrade the *entire* test, and you may lose points as well as gain them. Note that I tend to be harsher than the TA.

- You are encouraged to stop me if you are confused and ask questions. I want this to be a discussion rather than a lecture as frequently as possible!

- You may not use electronic devices such as laptops, tablets, or phones in class. If you feel like you need an electronic device to learn or have another good reason to use electronic devices in class, please come see me.

- I want the course to be fun.
  - I will try to reference interesting recent research.
  - The focus will be on theory, but I will also discuss related empirics.
  - Please ask questions and be engaged. Even if you do not become a macroeconomist, you will be asked about monetary policy for the rest of your life. Now is the time to learn something about it.
Reading List

Required readings are starred. Readings may be changed over the course of the semester.

• Business Cycle Facts


• Real Business Cycle Model: Review, Criticisms, and Business Cycle Accounting

  – Bils, Mark, Peter Klenow, and Benjamin Malin (2016). “Resurrecting the Role of the Product Market Wedge in Recessions.” WP.

• Empirical Motivation for Nominal Rigidity


• Money, Money Demand, and Output

  – * Gali Chapter 2.

• Monopolistic Competition and Markups

  – * Gali Chapter 3, appendix.


• The New Keynesian Model

  – * Gali Chapter 3.


- Optimal Monetary Policy in a New Keynesian Framework


  - * Gali Chapters 4-5.1-3

- The Liquidity Trap


- Policy in a Liquidity Trap

  - * Gali Chapter 5.4.


**New Perspectives on the Monetary Transmission Mechanism**

- Heterogenous Agents I: Liquidity Constrained Consumers and Monetary Transmission
  
  
  
  
  
  
  
  
  
  

- Heterogenous Agents II: Redistribution and Monetary Transmission
  
  

- Household Finance and the Mortgage Channel of Monetary Transmission
  
  
  * Beraja, Martin, Andreas Fuster, Erik Hust, and Joseph Vavra (2016). “Regional Heterogeneity and Monetary Policy.” WP.
