Syllabus: Economics 704a · Macroeconomics

Prof. Adam M. Guren · Boston University · Spring 2021

Logistics

Location:
This course will be entirely not in person and taught on Zoom. Professor Guren will also hold office hours exclusively on Zoom. TA sections will be in person.

Instructor:
Adam Guren
guren@bu.edu
Office Hours: M 4-5, F 9-10 and by appointment on Zoom (link on website, recommended you email and let me know you are coming ahead of time)

Teaching Assistant:
Michele Marcaletti
mmarcale@bu.edu
Section: F 10:10-11:25 at CAS 313 (and online through LFA)
Office Hours: F 1-2:30 on Zoom (link on course website)

Overview:
This is the first 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, Algebra Guides, and Readings will be posted on the course website.
  – Readings outside of textbook and readings listed below each topic will be added and announced via e-mail.
• Textbook:

• Other Suggested Macroeconomics Textbooks
  

**Requirements:**

• 13 Lectures From January 25 to March 11

• Exam: 24 hour take home in lieu of class on March 16th, details to be announced.

• Problem Sets
  
  – You are encouraged to work in groups.
  – If you do so you must indicate who you worked with on your write up.
  – Each student must hand in their own write up and submit it to the Blackboard online portal as a PDF in \LaTeX.
  – 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.
    
  – There will be five problem sets. Four are standard problem sets. The last “problem set” will consist of three e-mailed student responses to recent papers on the monetary transmission mechanism. This assignment will be discussed in class.

• 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!

• 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.

Pandemic-Related Course Policies

Zoom Engagement
I realize it is not ideal for the class to be entirely remote, but I am committed to making the class as rich and rewarding as possible. Given this, when on Zoom I ask that you please turn your cameras on so that I can make learning as engaging as possible under the circumstances. I readily admit that we are far more likely to be on email, chat, surfing the internet, etc. when my camera is off. In fact, I believe it is very difficult for all of us not to engage in these distractions when our cameras are turned off. If this policy poses an unreasonable challenge for you, please contact me.

I also ask that you do not use cellular phones, social media, or similar devices in class. I also ask that you not use laptops or tablets for reasons other than zoom. If you need to use a laptop or tablet for educational/learning reasons, please come talk to me about it and I can exempt you from this policy.

COVID and Unforeseen Bumps in the Road
I know that this is an extremely difficult time to be a Ph.D. student and to be making decisions that may impact your health. I empathize with these challenges and will be working to support you to the best of my ability. Please reach out at any time if I can be of help. I care about your health, mental health, and well-being just as I care about your learning in our course. I hope you are in graduate school because you love research and love economics; if circumstances are making it difficult to feel that way and the course is becoming an undue source of stress, please let me know so I can accommodate you.

If you do test positive for COVID or find yourself required to quarantine, I encourage you to be in touch with me, just as we would ask you to let us know of any illness or life circumstance that would impact your performance in my course. With this information, I will be better able to support you and make course accommodations as needed. I will certainly keep any personal information in confidence.

I also know that unforeseen circumstances may arise in the course of the pandemic that may limit your ability to engage with the course or even my ability to teach the course. I will be as lenient as reasonably possible so long as things do not seem to be turning into a worrisome pattern (e.g., every problem set is a week late - I cannot post solutions until everyone turns their problem set in).
Reading List

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

This reading list is extensive because it is not only be a list of required readings but also
a guide to the literature should you become interested in the topics we cover.

- **Business Cycle Facts**
    Macroeconomic Time Series.” In *Handbook of Macroeconomics*: 3-64.

- **Real Business Cycle Model: Review, Criticisms, and Business Cycle Accounting**
  - Chetty, Raj, Adam Guren, Day Manoli, and Andrea Weber (2013). “Does Indi-
    visible Labor Explain the Difference Between Micro and Macro Elasticities? A
    Meta-Analysis of Extensive Margin Elasticities.” *NBER Macro Annual 2012*:
    1-56.
  - Basu, Susanto, John Fernald, and Miles Kimball. (2006). “Are Technology Im-
    provements Contractionary?” *AER* 96(5): 1418-1448.
    and the Forecastable Movements in Output, Hours, and Consumption.” *AER*
    86(1): 71-89.
  - Gali, Jordi, Mark Gertler, and David Lopez-Salido (2007). “Markups, Gaps, and
  - Chari, V.V., Patrick Kehoe, and Ellen McGrattan (2007). “Business Cycle Ac-
  - Bils, Mark, Peter Klenow, and Benjamin Malin (2018). “Resurrecting the Role
• 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

- Household Finance and the Mortgage Channel of Monetary Transmission
  * Berger, David, Konstantin Milbradt, Fabrice Tourre, and Joseph Vavra (2020). “Mortgage Prepayment and the Path-Dependent Effects of Monetary Policy.” WP.

- Heterogenous Agents I: Liquidity Constrained Consumers and Monetary Transmission

– Heterogenous Agents II: Redistribution and Monetary Transmission