Syllabus
Advanced Macroeconomics II
Dynamic Stochastic General Equilibrium Models and the Business Cycle
Barbara Annicchiarico
Winter 2019

Barbara Annicchiarico, Department of Economics and Finance, University of Rome "Tor Vergata", e-mail: barbara.annicchiarico@uniroma2.it.

Office Hours: by e-mail appointment.
Aims of the course:

- provide an introduction to the so-called New Neoclassical Synthesis for the business cycle analysis, starting from basic RBC and NK models
- familiarize students with basic macroeconomic modelling techniques
- provide a hands-on introduction to simulation of macroeconomic models using Dynare

Outline:

- Business Cycle Facts
- Basic RBC Model
- RBC with Frictions
- Basic NK Model
- DSGE models with financial frictions

Time schedule
December 2nd 11:00-13:00
December 6th 9:00-11:30
December 9th 9:00-12:00
December 13th 9:00-11:30
December 16th 12:00-14:00

Readings

- Abel, A. B. (1990), Asset Prices under Habit Formation and Catching Up with the Joneses, American Economic Review, 80(2).
- Adda, J., Cooper, R. (2003), Dynamic Economics, The MIT Press.
- Bénassy, J.P. (2007), Money, Interest, and Policy, The MIT Press.
- Benhabib, J. & Schmitt-Grohé, S., Uribe, M., (2001), The Perils of Taylor Rules, Journal of Economic Theory, 96(1-2).
- Blanchard, O., Galí J., (2007), Real Wage Rigidities and the New Keynesian Model, Journal of Money, Credit, and Banking, 39(s1),35-65.
- Calvo, G., (1983), Staggered Prices in a Utility-Maximizing Framework, Journal of Monetary Economics, 12(3).
- Christiano, L., Eichenbaum, M., Evans C. (1998) Monetary Policy Shocks: What Have We Learned and to What End ?,in J.B. Taylor and M. Woodford eds., Handbook of Macroeconomics, volume, 1A, 65-148.
- Christiano, L., Eichenbaum, M., Evans C. (2005), Nominal Rigidities and the Dynamic Effects of a Shock to Monetary Policy, Journal of Political Economy, 113(1).

- Clarida, R., Gali, J., Gertler, M., (1999), The Science of Monetary Policy: A New Keynesian Perspective, Journal of Economic Literature, 37(4).
- Collard, F., Juillard, M. (2001a), Accuracy of stochastic perturbation methods: The case of asset pricing models, Journal of Economic Dynamics and Control, 25(6-7).
- Collard, F., Juillard, M. (2001b), A Higher-Order Taylor Expansion Approach to Simulation of Stochastic Forward-Looking Models with an Application to a Nonlinear Phillips Curve Model, Computational Economics, 17(2-3).
- Curdia, V. and Woodford, M., 2010. Credit spreads and monetary policy. Journal of Money, credit and Banking, 42, pp.3-35.
- Dejong, D. N. & Chetan D. (2011), Structural Macroeconometrics, Princeton University Press.
- Erceg, C. J. & Henderson, D. W. & Levin, A. T., (2000). Optimal monetary policy with staggered wage and price contracts, Journal of Monetary Economics, 46(2), . 281-313.
- Galí, J. (2003), New Perspectives on Monetary Policy, Inflation, and the Business Cycle, in: Dewatriport, M. et al. (Eds.), Advances in Economics and Econometrics: Theory and Applications; eighth World Congress. 2003; 151-197.
- Galí, J. (2008), Monetary Policy, Inflation and the Business Cycle, Princeton University Press, chapter 3.
- Galí, J., Gertler, M., (1999), Inflation Dynamics: A Structural Econometric Analysis, Journal of Monetary Economics, 44(2).
- Galí J., López-Salido, D. & Vallés, J., (2007), Understanding the Effects of Government Spending on Consumption, Journal of the European Economic Association, 5(1).
- Gertler, M. and Karadi, P., 2011. A model of unconventional monetary policy. Journal of monetary Economics, 58(1), pp.17-34.
- Gertler, M. and Kiyotaki, N., 2010. Financial intermediation and credit policy in business cycle analysis. In Handbook of monetary economics (Vol. 3, pp. 547-599). Elsevier.
- Goodfriend, M., (2007), How the World Achieved Consensus on Monetary Policy, Journal of Economic Perspectives, 21(4).
- Goodfriend, M., King, R., (1997), The New Neoclassical Synthesis and the Role of Monetary Policy, NBER Macroeconomics Annual.
- Judd, K. L. (1998), Numerical Methods in Economics, The MIT Press.
- Kydland, F. E., Prescott, E. C., (1982), Time to Build and Aggregate Fluctuations,Econometrica, 50(6).
- Justiniano, A., Primiceri, G.E. and Tambalotti, A., 2010. Investment shocks and business cycles. Journal of Monetary Economics, 57(2), pp.132-145.
- Long, J., Plosser, C., (1983), Real business cycles, Journal of Political Economy, 91.
- McCandless, G. (2008), The ABCs of RBCs, Harvard University Press.
- Nelson, C.R. Plosser, C.I., (1982),Trends and random walks in macroeconomic time series, Journal of Monetary Economics 10.
- Prescott, E.C., (1986), Theory Ahead of Business.Cycle Measurement, Carnegie-Rochester Conference Series on Public Policy, 25.
- Romer, D. (2006), Advanced Macroeconomics, McGraw-Hill.

- Rotemberg, J., (1983), Aggregate Consequences of Fixed Costs of Price Adjustment, American Economic Review, 73(3).
- Schmitt-Grohé, S., Uribe, M.(,2004), Solving dynamic general equilibrium models using a second-order approximation to the policy function, Journal of Economic Dynamics and Control, 28(4).
- Smets, F. and Wouters, R., 2007. Shocks and frictions in US business cycles: A Bayesian DSGE approach. American Economic Review, 97(3), pp.586-606.
- Stock, J. H. & Watson, M. W. (1999). "Business cycle fluctuations in us macroeconomic time series" Handbook of Macroeconomics, in: J. B. Taylor & M. Woodford (ed.), Handbook of Macroeconomics, edition 1, volume 1, chapter 1, pages 3-64 Elsevier.
- Walsh, C.E. (2003), Monetary Theory and Policy, The MIT Press.
- Woodford, M. (2003), Interest & Prices, Princeton University Press,