



Course: Macroeconomics II
Faculty: Luis E. Rojas
Term: Spring
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Description:

This course is an introduction to monetary economics. We will study a variety of macroeconomic models to discuss monetary policy; the relation between money and public finances; and the short run inflation-output relationship. We will also emphasize the technical aspects of the models by studying the solution methods and the stability and uniqueness of equilibria.

The course has an opening Asset Pricing section where we extend the analysis of the Macroeconomics I course and study the testable implications of the Euler equations. Then we move on to present the overlapping generations model with money; the Sidrauski model; a cash in advance model; A search theoretic model of money and the New-Keynesian monetary model. We close the course with a discussion of the interdependence of monetary and fiscal policy.

Outline:

1. Asset pricing (L-S 2004 chapter 13).
2. OLG with money (B-F 4.1-4.2)
3. Sidrauski model
 - a. A canonical MIU model (W 2.1-2.3)
 - b. Dynamics and solution of the model (W 2.5,2.7 -- B-F 5.Appendix)
 - c. Bubbles and hyperinflations (BF 5.1-5.3)

4. Cash-in-Advance model (W 3.3)
5. Kiyotaki-Wright search theory (W 3.4.2)
6. Imperfect information: Lucas' Islands model
7. New-Keynesian monetary model (W 5 -- B-F 8)
8. Monetary and fiscal policy (BF 11 -- LS 24.2.2-24.6)

References:

Recursive Macroeconomic Theory by Lars Ljungqvist and Thomas Sargent (LS), MIT Press (2004).

Monetary Theory and Policy by Carl Walsh (W), MIT Press (2003).

Lectures on Macroeconomics by Olivier Blanchard and Stanley Fischer (B-F)

Grading:

Assignments (30%), Exam (70%).