

Advanced Macroeconomic Analysis II:

Part II: Monetary Macroeconomics

Advanced Master and PhD course, summer term 2019 **Prof. Dr. Frank Heinemann**

Offered in conjunction with the Berlin Doctoral Program in Economics and Management Science

Time: Lecture Wednesdays 8:30 - 10:00 a.m.
Room H 3003A, TU Berlin-Hauptgebäude, Strasse des 17. Juni 135

Recitation Wednesdays 10:15 to 11:45 a.m.
Room H 3003A, TU Berlin-Hauptgebäude, Strasse des 17. Juni 135

First lecture May 22, 2019, last lecture July 10, 2019
no lecture on July 3

Students' tasks: homework and midterm exam

Slides and problem sets will be provided via the ISIS2 website linked from the URL
http://www.macroeconomics.tu-berlin.de/menue/teaching_lehre/adv_macro_economics_ii/.

The ISIS-key for students is "AMA".

Information on the first part of this course will be presented in due time.

Preliminary Course Outline:

Part II: Monetary Macroeconomics

1. Determinacy of the Price Level
 - The Cagan Model of Money and Prices
 - Money in the Overlapping-Generations Model
 - Modelling Money in the Utility Function
2. Special Topics on Modelling DSGE
 - Monopolistic Competition and Price Rigidities
 - The New Neoclassical Synthesis and Monetary Policy
 - The Forward Guidance Puzzle
 - Strategic Uncertainty
3. Experimental Approaches to Macroeconomics

General literature:

Blanchard, Olivier J.; Stanley **Fischer**, *Lectures on Macroeconomic*, MIT Press, 1989.

Walsh, Carl E., *Monetary Theory and Policy*, 2nd edition, MIT-Press, 2003

Woodford, Michael, *Interest and Prices: Foundations of a Theory of Monetary Policy*, Princeton University Press, 2003.

Selected chapters of the following books are required reading for the course:

1. Money and Inflation - The Cagan Model of Money and Prices

Blanchard, Olivier J.; Stanley **Fischer**, *Lectures on Macroeconomic*, MIT Press, 1989, Chapter 4.

Obstfeld, M./ **Rogoff**, K., *Foundations of International Macroeconomics*, MIT Press, 1996, Chapter 8.2.

2. Money in the Overlapping-Generations Model

Blanchard, Olivier J.; Stanley **Fischer**, *Lectures on Macroeconomic*, MIT Press, 1989, Chapter 3.

Bernheim, B. Douglas (1984), Rationalizable Strategic Behavior, *Econometrica* 52, 1007-1028.

Heinemann, F. (1997), Rationalizable Expectations and Sunspot Equilibria in an Overlapping-generations Economy, *Journal of Economics (Zeitschrift für Nationalökonomie)*, 65 (3), pp. 257-277.

Morgenstern, Oskar (1935), Vollkommene Voraussicht und wirtschaftliches Gleichgewicht, *Zeitschrift für Nationalökonomie* 6, 337-357.

Pearce, David G. (1984), Rationalizable Strategic Behavior and the Problem of Perfection, *Econometrica* 52, 1029-1050.

3. Modelling Money in the Utility Function

Walsh, Carl E., *Monetary Theory and Policy*, 2nd edition, MIT-Press, 2003, Chapters 2-3.

Woodford, Michael, *Interest and Prices: Foundations of a Theory of Monetary Policy*, Princeton University Press, 2003, Chapter 2.

4. Monopolistic Competition and Price Rigidities

Blanchard, Olivier J., and Nobuhiro **Kiyotaki** (1987): Monopolistic Competition and the Effects of Aggregate Demand, *American Economic Review* 77, 647-666.

5. The New Neoclassical Synthesis and Monetary Policy

Clarida, Richard, Jordi **Gali**, and Mark **Gertler** (1999): The Science of Monetary Policy: A New Keynesian Perspective, *Journal of Economic Literature*, vol. 37, no. 4, 1661-1707.

Goodfriend, Marvin, and Robert G. **King** (1997): The New Neoclassical Synthesis and the Role of Monetary Policy, NBER Macroeconomics Annual 1997, 231-283.

Cukierman, Alex, Keynesian Economics, Monetary Policy and the Business Cycle - New and Old, CESifo Economic Studies Vol. 51, <http://www.CESifoEconomicStudies.de>.

Galí, Jordi. (2001), New Perspectives on Monetary Policy, Inflation, and the Business Cycle, in Advances in Economics and Econometrics, volume III, edited by M. Dewatripont, L. Hansen, and S. Turnovsky, Cambridge University Press (NBER WP #8767).

6. Forward Guidance Puzzle

Del Negro, Marco, Marc **Giannoni**, and Christina **Patterson** (2015), *Federal Reserve Bank of New York Staff Reports*, no. 574.

McKay, Alisdair, Emi **Nakamura**, and Jón **Szteinnsson** (2016), *American Economic Review* 106, 3133–3158.

7. Strategic Uncertainty

Farhi, Emmanuel, and Iván **Werning** (2017), Monetary Policy, Bounded Rationality, and incomplete Markets, *NBER Working Paper* 23281.

8. Experimental Approaches to Macroeconomics

Cornand, Camille, and Frank **Heinemann** (2018), Experiments on Macroeconomics: Methods and Applications, in Schram and Ule (eds.): Handbook of Research Methods and Applications in Experimental Economics, *forthcoming*.

Other useful books for background reading are:

Handbook of Macroeconomics, North Holland, Edited by J.B. Taylor, Stanford University, and M. Woodford, Princeton University, 1999.

Obstfeld, M./ **Rogoff**, K., *Foundations of International Macroeconomics*, MIT Press, 1996.

Sargent, Thomas J., *Dynamic Macroeconomic Theory*, Harvard Univ. Press, 1987.

Turnovsky, Stephen J., *Methods of Macroeconomic Dynamics*, 2nd edition, MIT Press, 2000.