COURSE SYLLABUS

Macroeconomic Theory II

Instructor: Balázs Világi

Semester/term, year: Winter 2015

Course level: First year MA compulsory course

No.of Credits (no. of ECTS Credits): 5 CEU credits (10 ECTS)

Pre-requisites: Macroeconomic Theory I

Course e-learning site:

Office hours: After lectures or by appointment: vilagib@mnb.hu

Course Description:
The course is aimed at providing a basic background in the field of graduate macroeconomics. The focus will be on real and monetary models of the business and financial cycle and their policy implications. The main aim of this course is to acquaint students with the modern macro theory at a graduate level and to give them the tools necessary to be able to take more advanced, topic-specific, macro courses.

Learning Outcomes:
i) understanding of the general framework used to study macro issues in modern macro 
ii) development of technical skills that enable students to critically evaluate core papers in the field, iii) development of skills that enable students to apply what they have learned to everyday macro issue they can find in economic newspapers.

Course Requirements:
Grading will be based on a final examination (85%) and on bi-weekly homeworks (15%).

COURSE SCHEDULE

This course is designed for first year master students and, therefore, it is aimed at providing a basic background in the field of graduate macroeconomics. During Macroeconomics I students familiarized with the basic models for economic growth, consumption and investment theory and labor markets. Macroeconomics II builds up on the technical skills acquired during the first course and studies more in details the modern theory of business cycle. In particular, the course is divided into four parts. The first part focuses on frictionless models, especially on the real business cycle literature. The second part studies the relation between real and nominal variables presenting basic models with nominal rigidities (New Keynesian models). The third part discusses the role
of financial frictions and financial intermediation in the business cycle and studies their policy implications. The fourth part presents some new directions in macroeconomic research.

Weekly Breakdown

(*) indicates compulsory reading

PART 1: FRICTIONLESS (NEW CLASSICAL) MODELS

Week 1.1 (1 lecture)

The origin of new classical models, the Lucas critique


Week 1.2-3.1 (4 lectures)

The real business cycle models


**PART 2: MONETARY ECONOMICS IN NEW KEYNESIAN FRAMEWORK**

*Week 3.2-5.1 (4 lectures)*

**The New Keynesian model**


Week 5.2-6.2 (3 lectures)

Monetary policy conduct: optimal monetary policy and simple rules


PART 3: FINANCIAL FRICCTIONS, FINANCIAL CYCLES AND CRISES

Week 7.1 (1 lecture)

Bubbles and financial cycles


Week 7.2 (1 lecture)

Financial cycles and crises: explanations and lessons


**Week 8.1 (1 lecture)**

**Models of the financial accelerator**


**Week 8.2 (1 lecture)**

**Macroeconomic models of financial intermediation**


- Clerk, L. et al. (2014). “Capital Regulation in a Macroeconomic Model with Three Layers of Default”, paper prepared for the ESCB Macro-prudential Research Network (MaRs)


**Week 9 (2 lectures)**

**The zero lower bound and unconventional monetary policy**


\begin{itemize}
\item Gertler M. and P. Karadi (2013).“QE 1 vs. 2 vs. 3 . . . : A Framework for Analyzing Large-Scale Asset Purchases as a Monetary Policy Tool”, \textit{International Journal of Central Banking}, January.
\end{itemize}

\textbf{PART 4: NEW DIRECTIONS IN MACROECONOMICS}

\textit{Week 10.1-11.1 (3 lectures)}

\textbf{Demand constrained models}

\begin{itemize}
\item (*) De Grauwe, P (2014). “Yes, it’s the economy, stupid, but is it demand or supply?”, CEPS Commentary.
\end{itemize}

\textit{Week 11.2 (1 lecture)}

\textbf{Behavioral macroeconomics}

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