

# BGSE Macroeconomics I

Prof. Keith Kuester

Winter term, 2023/24

Outline:

This is the first part of the PhD core macro sequence at U Bonn. The course introduces students to basic techniques and concepts, and the work-horse models of representative-agent macroeconomics. Macroeconomics studies the outcomes of interactions in large populations. How does society allocate its resources? How does the interaction of private incentives and public policies shape economic outcomes? Should policy try to smooth economic fluctuations? Because populations are large and policy interventions are made on a large scale, general equilibrium effects are important. Models serve as laboratories. The course covers basic frameworks for studying growth, business cycles with and without frictions, and monetary and fiscal stabilization policies. Towards the end, the course also provides a first look at the distributional effects of stabilization policy.

Lecture times: Th/Fr. 08:30 (s.t.) - 10, Room 0.017

## Overview

- Ch. 0 Preliminaries.  
[On e-campus for self-study]
- Ch. 1 Asset prices in macro.  
[Ljungqvist and Sargent (2018), ch. 13]
- Ch. 2 Growth.  
[Jones (2016); Ljungqvist and Sargent (2018), ch. 15]
- Ch. 3 Real business cycles  
[King and Rebelo (1999)]
- Ch. 4 Equilibrium unemployment over the business cycle  
[Ljungqvist and Sargent (2018), ch. 29]
- Ch. 5 Classical monetary model.  
[Galí (2015), ch. 2]
- Ch. 6 Monetary fiscal interaction.  
[Leeper and Leith (2016); Ljungqvist and Sargent (2018), ch. 27]
- Ch. 7 Nominal Rigidities – New Keynesian Model – positive and normative.  
[Galí (2015), ch. 3-5]
- Ch. 8 Monetary policy and heterogeneity.  
[Bilbiie (2020), Broer et al. (2019)]

## References

- Bilbiie, F. O. (2020), ‘The New Keynesian cross,’ *Journal of Monetary Economics*, 114, pp. 90–108.
- Broer, T., Harbo Hansen, N.-J., Krusell, P., and Öberg, E. (2019), ‘The New Keynesian Transmission Mechanism: A Heterogeneous-Agent Perspective,’ *The Review of Economic Studies*, 87(1), pp. 77–101.
- Galí, J. (2015), *Monetary Policy, Inflation, and the Business Cycle, 2nd edition*, Princeton University Press.
- Jones, C. (2016), ‘Chapter 1 - The Facts of Economic Growth,’ *Handbook of Macroeconomics*, volume 2, Elsevier, pp. 3 – 69.
- King, R. G. and Rebelo, S. T. (1999), ‘Resuscitating real business cycles,’ in: J. B. Taylor and M. Woodford (eds.), ‘Handbook of Macroeconomics,’ *Handbook of Macroeconomics, Elsevier*, volume 1, chapter 14, Elsevier, pp. 927–1007.

Leeper, E. and Leith, C. (2016), 'Chapter 30 - Understanding Inflation as a Joint MonetaryFiscal Phenomenon,' *Handbook of Macroeconomics*, volume 2, Elsevier, pp. 2305 – 2415.

Ljungqvist, L. and Sargent, T. J. (2018), *Recursive Macroeconomic Theory, Third Edition*, MIT Press Books, The MIT Press, 4 edition.