School of Liberal Studies

Ambedkar University Delhi

Course Outline

Time Slot: Tuesday, Friday 11-1

Course Code: SLSEC106

Title: Macroeconomics II

Type of Course: Core

Cohort for which it is compulsory: M.A. Economics

Cohort for which it is elective: None

No of Credits: 4

Semester and Year Offered: 2nd semester, Winter 2018

Course Coordinator and Team: Jyotirmoy Bhattacharya

Email of course coordinator: jyotirmoy@aud.ac.in

Pre-requisites: M.A. Economics courses "Microeconomics I" and "Macroeconomics I"

Aim: This is the second course of the core macroeconomics sequence. It will build on the common foundations developed in Macroeconomics I to investigate the nature of business cycle fluctuations.

Brief description of modules/ Main modules:

Stochastic optimal growtn and general equilibrium Real business cycle theory Multivariate linear rational expectations models New-Keynesian DSGE models Credit market imperfections Labor Market Imperfections

Assessment Details with weights:

1. Best two of three class tests

35%each30% (throughout semester)

2. Term paper

Reading List:

[BF] Galí, Monetary Policy, Inflation and the Business Cycle, Princeton University Press

[R] Romer, Advanced Macroeconomics, 4th ed., McGraw Hill.

	Topic	Readings
1.	Stochastic optimal growth and general equilibrium.	Ljungqvist, L. and Sargent, T.J. <i>Recursive Macroeconomic Theory,</i> 3 rd ed., Chapter 8,12
2.	Real business cycles	 Prescott, E. C. (1986, November). 'Theory ahead of business-cycle measurement.' In <i>Carnegie-</i> <i>Rochester Conference Series on</i> <i>Public Policy</i> (Vol. 25, pp. 11-44). North-Holland. Summers, L. H. (1986). 'Some skeptical observations on real business cycle theory.' <i>Federal Reserve Bank of</i> <i>Minneapolis Quarterly Review</i>, pp. 23-27. Prescott, E.C. (1986). 'Response to a Skeptic.' <i>Federal Reserve Bank of</i> <i>Minneapolis Quarterly Review</i>, pp. 23-27 [These papers are reprinted in Miller, P.J. (1994), <i>The Rational</i> <i>Expectations Revolution: Readings</i> <i>from the Front Line</i> and Salyer, K.D. and Hartley J. (1998) <i>Real</i> <i>Business Cycles: A Reader</i>]
3.	Solving multivariate linear rational- expectations models	Miao, Economic Dynamics in Discrete Time, Chapters 1 & 2
4.	Nominal Rigidities	[R], Ch. 6B
		Klenow and Malin. "Microeconomic Evidence on Price-Setting" in Friedman and Woodford (eds) <i>Handbook of Monetary</i> <i>Economics,</i> Vol 3 (2010)
		Caplin, Andrew S., and Daniel F. Spulber. "Menu Costs and the Neutrality of Money." <i>The</i>

		<i>Quarterly Journal of Economics</i> (1987): 703-726.
5.	The New-Keynesian Framework for Monetary Economics	[G], Ch. 1-3
6.	Credit market imperfections	[R] Ch. 9
7.	Labor market imprefections	[R] Ch 10