



Ph.D. in ECONOMICS – Universities of Milan and Pavia

MACROECONOMICS I – Theory of Economic Fluctuations

Academic year 2016-17

Alessandro Missale, University of Milan

Office hours: After the lectures, or by appointment

Venue: Via Pace, room B and D

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Course description

The course introduces students to dynamic general-equilibrium models of economic fluctuations: the real-business-cycle theory and the new-Keynesian theory. The analysis focuses on the micro-foundations of modern macroeconomic models and on the role of price rigidities for the real effects of monetary policy. The basic new Keynesian model of economic fluctuations is introduced to examine the effects of monetary policy on economic activity and inflation.

Course objectives

The aim of the course is to provide a good knowledge of dynamic general-equilibrium models of economic fluctuations: the real business cycle theory and the new-Keynesian theory. The analysis shows how to build macroeconomic models from microeconomic principles. Students will develop the basic skills for the analysis of output fluctuations and inflation dynamics with special attention to the role of monetary policy.

Lectures: 8 lectures, two hours each.

Timetable:

April 19 and 20, 14:30-16:30; April 26, 10:30-12:30; April 27, 14:30-16:30; May 2 and 3, 10:30-12:30; May 9 and 10, 10:30-12:30. All lectures will take place in room B, via Pace 10, except on April 20 and 27 (room D).

Course requirements and assessment

The assessment is based on a written exam

Course outline and References

1. Equilibrium Business Cycle Fluctuations

- Campbell, J. “Inspecting the mechanism: An analytical approach to the stochastic growth model,” *Journal of Monetary Economics* 33, June 1994, pp.463-506.
- Rebelo, S. “Real business cycle models: past, present and future”, *The Scandinavian Journal of Economics* 107(2), 2005, pp. 217–238.
- Romer, D., *Advanced Macroeconomics*, McGrawHill, Fourth edition, 2011. Chap. 5.



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2. **New-Keynesian fluctuations and price rigidities**

- Blanchard, O. and Fischer, S., Lectures on Macroeconomics, MIT Press, 1989. Chap. 8 and 9.
- Blanchard, O. and N., Kiyotaki, “Monopolistic Competition and the Effects of Aggregate Demand”, American Economic Review 77(4), September 1997, pp.647-666.
- Clarida, R., J. Galí, and M. Gertler. 1999. “The Science of Monetary Policy: A New Keynesian Perspective.” Journal of Economic Perspectives 37(4), 1999, pp.1661–1707.
- Romer, D., Advanced Macroeconomics, McGrawHill, Fourth edition, 2011. Chap. 6 and 7.

3. **Monetary Models**

- Walsh, C. E., Monetary Theory and Policy (3rd edition), MIT press, 2010. Chap. 8 and 6.
- Galí, J., Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework, Princeton, N.J.: Princeton University Press 2008.



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