

UNIVERSITÀ DELLA SVIZZERA ITALIANA  
FACULTY OF ECONOMICS

**Macroeconomics II**

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*Overview*

The objective of the course is to develop the analytical tools to think about short-run macroeconomic policy issues. The course will first introduce the theory of intertemporal consumption choices that has a central role in modern macro, highlighting the role of uncertainty and liquidity constraints. It will then discuss the role of fiscal and monetary policy on business cycle fluctuations, both within the basic real business cycle model and New-Keynesian models of asymmetric information and imperfect competition with small menu costs. If time allows, the final part of the course will discuss the role of labour and financial markets frictions.

Grades will be based on a final exam.

*Syllabus*

1. Intertemporal choices: consumption and savings ([Romer, 2011](#), ch. 8)
2. The real business cycle model ([Romer, 2011](#), ch. 5)
3. Microfoundation of nominal rigidities:
  - asymmetric information ([Lucas, 1972](#))
  - small menu costs ([Blanchard and Kiyotaki, 1987](#); [Fischer, 1977](#); [Caplin and Spulber, 1987](#))
4. The role of labour and financial markets imperfections on business fluctuations
  - Unemployment fluctuations and labour market dynamics ([Diamond, 1982](#); [Cooper and John, 1988](#); [Mortensen and Pissarides, 1994](#))
  - Credit rationing, credit cycles and systemic risk ([Stiglitz and Weiss, 1981](#); [Kiyotaki and Moore, 1997](#); [Bernanke and Gertler, 1989](#); [Bernanke, Gertler, and Gilchrist, 1999](#); [Douglas and Dybvig, 1983](#)).

**Main readings:**

- *Advanced Macroeconomics*, David Romer, McGraw Hill 2011.
- *Models for Dynamic Macroeconomics*, Fabio-Cesare Bagliano and Giuseppe Bertola, Oxford University Press, 2004.

## Extended Reading List

- AKERLOF, G. A., AND J. YELLEN (1985): "A Near-Rational Model of the Business Cycle, with Wage and Price Inertia," *Quarterly Journal of Economics*, 100, 823–838.
- BAGLIANO, F.-C., AND G. BERTOLA (2004): *Models for Dynamic Macroeconomics*. Oxford University Press.
- BERNANKE, B. S., AND M. GERTLER (1989): "Agency Costs, Net Worth, and Business Fluctuations," *American Economic Review*, 79, 14–31.
- BERNANKE, B. S., M. GERTLER, AND S. GILCHRIST (1999): "The Financial Accelerator in a Quantitative Business Cycle Framework," in *Handbook of Macroeconomics*, ed. by J. B. Taylor, and M. Woodford, chap. 21, pp. 1341–1393. Elsevier.
- BLANCHARD, O. J. (1981): "What Is Left of the Multiplier Accelerator?," *American Economic Review*, 71(2), 150–154, Papers and Proceedings of the Ninety-Third Annual Meeting of the American Economic Association.
- BLANCHARD, O. J., AND P. DIAMOND (1990): "The Cyclical Behavior of the Gross Flows of U.S. Workers," *Brookings Papers on Economic Activity*, 2, 85–155.
- BLANCHARD, O. J., AND S. FISCHER (1989): *Lectures on Macroeconomics*. MIT Press.
- BLANCHARD, O. J., AND N. KIYOTAKI (1987): "Monopolistic Competition and the Effects of Aggregate Demand," *American Economic Review*, 77(4), 647–666.
- BURDA, M., AND C. WYPLOSZ (1994): "Gross Worker and Job Flows in Europe," *European Economic Review*, 38(6), 1287–1315.
- CABALLERO, R. J., AND E. M. ENGEL (2005): "Price Stickiness in Ss Models: New Interpretations of Old Results," *Journal of Monetary Economics*, 54, 100–121.
- CAPLIN, A. S., AND D. F. SPULBER (1987): "Menu Costs and the Neutrality of Money," *Quarterly Journal of Economics*, 102(1), 703–206.
- CONTINI, B., AND U. TRIVELLATO (2006): *Eppur si muove. Dinamiche e persistenze nel mercato del lavoro italiano*. Il Mulino.
- COOPER, R. W., AND A. JOHN (1988): "Coordinating Coordination Failures in Keynesian Models," *Quarterly Journal of Economics*, 103, 441–463.
- DAVIS, S. J., AND J. HALTIWANGER (1992): "Gross Job Creation, Gross Job Destruction, and Employment Reallocation," *Quarterly Journal of Economics*, 107(3), 819–863.
- DIAMOND, P. A. (1982): "Aggregate Demand Management in Search Equilibrium," *Journal of Political Economy*, 90(5), 881–894.
- DOUGLAS, D., AND P. DYBVIK (1983): "Bank Runs, Deposit Insurance and Liquidity," *Journal of Political Economy*, 91(3), 401–419.
- FISCHER, S. (1977): "Long-Terms Contracts, Rational Expectations and the Optimal Money Supply Rule," *Journal of Political Economy*, 85(1), 191–205.
- HALL, R. E. (2005): "Employment Fluctuations with Equilibrium Wage Stickiness," *American Economic Review*, 95(1), 50–65.
- KIYOTAKI, N., AND J. MOORE (1997): "Credit Cycles," *Journal of Political Economy*, 105, 211–248.

- KYDLAND, F. E., AND E. C. PRESCOTT (1982): “Time to Build and Aggregate Fluctuations,” *Econometrica*, 50, 1345–1370.
- LJUNGQVIST, L., AND T. J. SARGENT (2004): *Recursive Macroeconomic Theory*. MIT Press, 2nd edn.
- LONG, J. B., AND C. I. PLOSSER (1983): “Real Business Cycles,” *Journal of Political Economy*, 91, 39–69.
- LUCAS, R. E. J. (1972): “Expectations and the Neutrality of Money,” *Journal of Economic Theory*, 4, 103–124.
- LUCAS, R. E. J. (1976): “Econometric Policy Evaluation: A Critique,” *Carnegie-Rochester Series on Public Policy*, 1, 19–46.
- LUCAS, R. E. J. (1977): “Understanding Business Cycles,” *Carnegie-Rochester Series on Public Policy*, 5, 7–29.
- LUCAS, R. E. J., AND L. A. RAPPING (1969): “Real Wages, Employment, and Inflation,” *Journal of Political Economy*, 77(5), 721–754.
- MANKIW, N. G. (1985): “Small Menu Costs and Large Business Cycles: a Macroeconomic Model of Monopoly,” *Quarterly Journal of Economics*, 100, 455–470.
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- ROMER, D. (1993): “The New Keynesian Synthesis,” *Journal of Economic Perspectives*, 7(1), 5–22.
- (2011): *Advanced Macroeconomics*. McGraw Hill, 4rd edn.
- ROTEMBERG, J., AND M. WOODFORD (1999): “The Cyclical Behavior of Prices and Costs,” in *Handbook of Macroeconomics*, ed. by J. B. Taylor, and M. Woodford, pp. 1052–1135. Elsevier.
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