

York University
Econ 5500: Advanced Monetary Economics
Winter 2025

1. Course Instructor/Contact:

Instructor: Arman Mansoorian

Office Hours: If you have any questions, you can email me or ask for a zoom meeting. This will be in place of office hours.

Class time and Place: Wednesdays from 2:30 pm - 5:30 pm in McLaughlin College (MC) 211

2. Course Description

The purpose of this course is to introduce you to some important current topics in Monetary Economics, and the technical tools used in their discussion. Thus, although the technical details will be kept at a minimum, you will be expected to know the details that are discussed in class.

3. Textbook and Essential Readings

There is no textbook for this course. We will cover a small fraction of the readings cited below. The starred items are the ones that will be discussed in class.

There are a few standard graduate texts:

Recursive Macroeconomic Theory (second edition), by Lars Ljungqvist and Thomas Sargent. Cambridge, Mass.: MIT Press, 2005.

Monetary Theory and Policy, by Carl E. Walsh (Third Edition). Cambridge, Mass.: MIT Press, 2010.

Monetary Policy, Inflation and Business Cycles, by Jordi Galí. Princeton University Press, 2008

4. Evaluation

There will be a **midterm test on February 12th, from 2:30am to 4:00am**; and it will be in our regular lecture room. There will also be a final exam during the exam period for the term. Both exams will be closed book.

The midterm test will be worth 40% of the mark for the course, and the Final will be worth 60%. On individual basis, if it is to your advantage, these weights will change to 30% for the midterm, and 70% for the final.

The final will be cumulative; roughly 15% to 25% of the final exam will be based on the material before the midterm.

5. Missed Tests

There will be no make-ups for the mid-term exam. Students absent from the mid-term exam for documented reasons will have the weight transferred to their final exam. The deferred exam for the final exam will be granted only for medical reasons.

TOPICS

1. INTRODUCTION TO DYNAMIC PROGRAMMING

* *Lectures on Macroeconomics*, by Olivier J. Blanchard and Stanley Fischer. Cambridge, Mass.: MIT Press, 1989: pages 279-283 and 510-512.

Foundations of International Macroeconomics, by M. Obstfeld, and K. Rogoff. Cambridge, Mass.: MIT Press, 1996: pages 306-317.

* John Cochrane (2001): “Solving Real Business Cycle Models by Solving Systems of First Order Conditions”. Mimeo, University of Chicago.
<http://faculty.chicagobooth.edu/john.cochrane/research/papers/kpr2a.pdf>

Harold Uhlig (2001): “A Toolkit for Analyzing Nonlinear Economic Dynamic Models Easily”; in Ramon Marimon and Andrew Scott, *Computational Methods for the Study of Dynamic Economies*, Chapter 3, Oxford University Press.
<http://web.cenet.org.cn/upfile/90724.pdf>

2. TAX SMOOTHING

Barro, Robert J. 1979. “On the determination of the public debt.” *Journal of Political Economy* 87, Part 1 (October): 940–71.

* Sargent, T. (1986): “Interpreting the Reagan Deficits,” Federal Reserve Bank of San Francisco, *Quarterly Review*, Fall 1986.

Aiyagari, S. Rao; Marcet, Albert; Sargent, Thomas J.; Seppälä, Juha. (2002): “Optimal Taxation without State-Contingent Debt”. *Journal of Political Economy*, Dec 2002, Vol. 110 Issue 6, p1220-1254.

3. ASSET PRICING

J. Campbell, A. Lo and J. McKinlay (1996): *The Econometrics of Financial Markets*, Ch. 8

Lucas, R.E. (1978): "Asset prices in an exchange economy." *Econometrica*, 1429-45.

Epstein, L. (1988): "Risk Aversion and Asset Prices." *Journal of Monetary Economics*, 179-192.

* Mehra, R., and E. Prescott (1985): "The equity premium: A puzzle." *Journal of Monetary Economics*, 145-61.

* Constantinides, G.M. (1990): "Habit formation: A resolution of the equity premium puzzle." *Journal of Political Econ.* 19-43.

Heaton, J., and D. Lucas (1995): "The Importance of Investment Heterogeneity and Financial Market Imperfections for the Behaviour of Asset Prices." *Carnegie-Rochester Conference Series on Public Policy*, 42: 1-32.

4. PRICE SETTING AND THE NEW KEYNESIAN PHILLIPS CURVE

* Woodford, M. "Control of the Public Debt: A Requirement for Price Stability?" in G. Calvo and M. King, eds., *The Debt Burden and Monetary Policy*, London: Macmillan, 1997. [Published version is excerpted from NBER working paper no. 5684, July 1996.]

* Calvo, Guillermo. 1983. "Staggered Prices in a Utility-Maximizing Framework." *Journal of Monetary Economics* 12 (3): 383–98.

Woodford, Michael. 2003. *Interest and Prices*. Princeton, NJ: Princeton University Press. Chapter 3.

* Walsh, *Monetary Theory and Policy* (3rd ed.), Chapter 8.

Hornstein, Andreas (2007): "Evolving Inflation Dynamics and the New Keynesian Phillips Curve". *Economic Quarterly*, Federal Reserve Bank of Richmond —*Volume 93, Number 4—Fall 2007—Pages 317–339*

Karl Whelan's Notes: <http://www.tcd.ie/Economics/staff/whelanka/topic7.pdf>

5. POLICY ANALYSIS WITH NEW KEYNESIAN MODELS

* Walsh, *Monetary Theory and Policy* (3rd ed.), Chapter 8.

* Woodford, M. (2001): "Inflation Stabilization and Welfare". NBER Working paper #8071. *B.E. Journal of Macroeconomics*, vol. 2(1), pages 1-53, February 2002.

Jordi Galí, *Monetary Policy, Inflation and Business Cycles*, Chapters 3, 4 and 5

Bullard, J., and K. Mitra (2002): "Learning about Monetary Policy Rules". *Journal of Monetary Economics*, 1105-1129.

Jordi Galí (2001): "New Perspectives on Monetary Policy, Inflation and Business Cycles". NBER working paper# 8767. Published in *Advances in Economics and Econometrics*, edited by M. Dewatripont, L. Hansen, and S. Turnovsky, volume III, 2003, Cambridge University Press.

Kydland, Finn E., and Edward C. Prescott (1997): Rules Rather than Discretion: The Inconsistency of Optimal Plans. *Journal of Political Economy*, Volume 85, Issue 3.

6. FINANCIAL INTERMEDIATION

* Bernanke, B., and M. Gertler (1989): "Agency Costs, Net Worth, and Business Fluctuations." *American Economic Review*, 79: 14-31.

M. Gertler, and K. Rogoff (1990): "North-South Lending and Endogenous Domestic Market Inefficiencies." *J. of Monetary Econ.*, 245-266.

* Kiyotaki, N., and J. Moore (1997): "Credit Cycles". *Journal of Political Econ*, vol. 105, 212-248.

Kiyotaki, N. (1998): "Credit and Business Cycles". *Japanese Economic Review* Vol. 49, No. 1, March.