York University
Econ 6110: Advanced Macroeconomic Theory
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: Mondays from 11:30 am - 1:30 pm in Vari Hall (VH) 1152

2. Course Description

The purpose of this course is to introduce you to some important current advanced topics in Macroeconomics, and the technical tools used in their discussion. Emphasis will be on New Keynesian Economics. Although the technical details will be kept at a minimum, you will be expected to know the details that are discussed in class.

3. Textbooks

There are two textbook that are relevant for this course:

Monetary Theory and Policy, by Carl E. Walsh (fourth edition). MIT Press, 2017.

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

A classic text on New Keynesian Economics is

Interest and Prices, by Michael Woodford. Princeton University Press, 2003.

4. Evaluation

There will be a **midterm test on February 24th, 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. REVIEW: 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. THE BASICS OF THE NEW KEYNESIAN MODEL

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.]

* Walsh, *Monetary Theory and Policy* (4th ed.), Chapter 8.

Jordi Galí, *Monetary Policy, Inflation and Business Cycles*, Chapter 3

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

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

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

3. POLICY ANALYSIS WITH NEW KEYNESIAN MODELS

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

* Walsh, *Monetary Theory and Policy* (4th ed.), Chapter 8.

Jordi Galí, *Monetary Policy, Inflation and Business Cycles*, Chapter 4

Woodford, Michael, 2003. *Interest and Prices.* Princeton, NJ: Princeton University Press. Chapter 4 and 6.

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.

4. TIME INCONSISTENCY AND THE OPTIMUM INFLATION RATE

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.

* Walsh, *Monetary Theory and Policy* (4th ed.), Chapter 8.

Jordi Galí, *Monetary Policy, Inflation and Business Cycles*, Chapter 5

Woodford, Michael, 2003. *Interest and Prices.* Princeton, NJ: Princeton University Press. Chapters 7 and 8.

5. NEW KEYNESIAN MODELS WITH INTERMEDIATE INPUTS AND CAPITAL

Mark Gertler (2019): "The Baseline New Keynesian Model, Monetary Policy, and the Liquidity Trap."
https://bpb-us-e1.wpmucdn.com/wp.nyu.edu/dist/0/15236/files/2019/10/MacroTheory2019SpringslidesTopic2Part1Jan29.pdf

Stephanie Schmitt-Grohé and Martín Uribe (2011): "The Optimal Rate of Inflation", in *Handbook of Monetary Economics*, Volume 3B, edited by Benjamin M. Friedman and Michael Woodford. Elsevier, North Nolland.

Christiano, L. J., M. Eichenbaum and C. L. Evans (2005): "Nominal Rigidities and the Dynamic Effects of a Shock to Monetary Policy". *Journal of Political Economy*, vol. 113 (1).

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.