

Economics W4213
Advanced Macroeconomics
Columbia University
Fall 2016

General Information

Instructor: Andres Drenik (ad3376@columbia.edu)

Lectures: Mondays and Wednesdays 2:40-3:55pm in 233 Seeley W. Mudd Building

Office Hours: Mondays 4:15-5:15pm in 1105B International Affairs Building

TA: Mengxue Wang (mw2887@columbia.edu)

Recitations: [TBA]

TA Office Hours: Tuesdays 3:00-4:00pm in Lehman Library Group Study Area

Course Description

The purpose of this course is to provide an introduction to the frontier tools used to understand the dynamics of economic aggregates. We will study the determinants of consumption, the real business cycle model and the search and matching theory of unemployment. Next, we will discuss the issue of nominal rigidities to understand the real effects of monetary policy and how it should be implemented optimally. We will also study topics that have received particular interest recently such as the problem of the zero lower bound and unconventional monetary policy. The course will conclude with an analysis of the conduct of fiscal policy and the implications for the economic aggregates. Methodologically, the course will have a focus on the models required to discuss these issues. However, it will also present empirical evidence about the predictions these models make.

Students taking this course should have previously passed the following courses: ECON W3211 Intermediate Microeconomics, W3213 Intermediate Macroeconomics, W3412 Introduction to Econometrics, and MATH V2010 Linear Algebra.

Assignments and Grading

All the course materials and problem sets will be posted on Courseworks, so make sure you are registered. I might also introduce changes to the syllabus during the semester. The latest version of the syllabus will be always updated on Courseworks.

There will be 6 weekly Problem Sets. It is encouraged to discuss and work together in groups of up to three students. However, each students must submit their own write-up of the solutions.

Homework is due at the beginning of class on the specified day. Problem sets that are finished after the due date can be handed in at the beginning of the following recitation at the cost of receiving only 50% of the total credits. Late problem sets will receive zero credits and no make-up problem sets will be given. Each student can drop at most one problem set. The final grade will consider the best 5 problem set grades.

There will be one midterm exam on Wednesday October 19th in class and one cumulative final exam on Wednesday Dec 21 from 1:10pm to 4:00pm (projected). There are no make-up midterm exams. In case a student misses the exam (for whatever reason), the midterm's weight will be shifted towards the final exam. Students who cannot take the final exam (for whatever reason) must petition for an incomplete. If the school grants the incomplete, then the student has the right to take a make-up exam.

The final grade will be composed by a weighted average of the following components: problem sets (30%), midterm exam (30%) and final exam (40%).

Textbooks and Readings

The main textbook that I will follow is:

- David Romer, *Advanced Macroeconomics*, 4th edition, McGraw-Hill, 2012.

Part of the material is also based on:

- Economic Sciences Prize Committee. Markets with search frictions. *The Royal Swedish Academy of Sciences*, 2010. URL https://www.kva.se/globalassets/priser/ekonomi/2010/sciback_ek_10.pdf
- G. B. Eggertsson and P. Krugman. Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo Approach. *The Quarterly Journal of Economics*, 127(3):1469–1513, Aug. 2012
- M. Woodford. Simple Analytics of the Government Expenditure Multiplier. *American Economic Journal: Macroeconomics*, 3(1):1–35, Jan. 2011
- M. Woodford. Methods of policy accommodation at the interest-rate lower bound. *Proceedings - Economic Policy Symposium - Jackson Hole*, pages 185–288, 2012. URL <https://ideas.repec.org/a/fip/fedkpr/y2012p185-288.html>

Disabilities

If you are a student with a disability and have a DS-certified Accommodation Letter please come to my office hours to confirm your accommodation needs. If you believe that you might have a disability that requires accommodation, you should contact Disability Services at 212-854-2388 and disability@columbia.edu.

Topics

1. Warm-up: consumption
2. Real business cycle theory
3. Search and matching model of unemployment
4. Nominal rigidities and price setting
5. The New Keynesian model
6. Optimal monetary policy
7. Sources of inflationary bias: commitment, seignorage
8. The problem of the zero lower bound
9. Unconventional monetary policy
10. Fiscal policy