

## Advanced Macroeconomics II - CAEN/UFC

**Instructor:** Marcelo Aarestrup Arbex  
**Lecture Time:** 9:30am - 12:00am

**Period:** June 05 - 27, 2019  
**Lecture Location:** TBD

### A. Course Description

Dynamic Stochastic General Equilibrium (DSGE) models have become the fundamental tool in current macroeconomic analysis. This course gradually extends the basic framework (neoclassical DSGE model) incorporating a variety of additional features such as non-Ricardian agents (liquidity constraints), consumption habit formation, home production, search and networks in the labor market and optimal taxation. All these additional features are introduced in the standard DSGE model separately in order to clearly identify the effects of each additional feature whereas keeping the model as simple as possible. The course also presents the New Keynesian model and discuss price and wage stickiness.

### List of Topics (*tentative dates*)

1. Non-Ricardian Agents (June 05, 2019)
2. Optimal Taxation with Commitment (June 06, 2019)
3. Consumption Habit (June 11, 2019)
4. Home Production (June 13, 2019)
5. Search and Networks in Labor Market (June 18, 2019)
6. New Keynesian Model - Price Stickiness (June 25, 2019)
7. New Keynesian Model - Wage Stickiness (June 27, 2019)

### B. Course Material

Useful books:

- *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*. George McCandless. Harvard University Press, 2008.
- *Economic Dynamics in Discrete Time*, Jianjun Miao, The MIT Press, 2014.
- *Advanced Macroeconomics*, David Romer, 4th Edition, McGraw-Hill, 2012.
- *Introduction to Dynamic Macroeconomic General Equilibrium Models*, Jose Luis Torres Chacon, Vernon Series in Economic Methodology, 2014.
- *Dynare: Reference Manual Version 4*, <https://ideas.repec.org/p/cpm/dynare/001.html>, Dynare Working Papers 1, CEPREMAP, revised Jul 2018. And *Dynare: User Guide*

Papers - Non-Ricardian Agents

- Gali et al. (2007), Mankiw (2000)

Papers - Optimal Taxation with Commitment

- Judd (1985), Chamley (1986), Ljungqvist and Sargent (2018)

Papers - Consumption Habit

- Boldrin et al. (2001), Carroll et al. (2000)

Papers - Home Production

- McGrattan et al. (1997), Benhabib et al. (1991)

Papers - Search and Networks in Labor Market

- Andolfatto (1996), Merz (1995), Arbex et al. (2016)

Papers - New Keynesian Model - Price, Wage Stickiness

- Gali (2015), Calvo (1983), Arbex et al. (2016)

## References

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- ARBEX, M., S. CAETANO, AND D. ODEA (2016): “The implications of labor market network for business cycles,” *Economics Letters*, 144, 37 – 40.
- BENHABIB, J., R. ROGERSON, AND R. WRIGHT (1991): “Homework in Macroeconomics: Household Production and Aggregate Fluctuations,” *Journal of Political Economy*, 99, 1166–1187.
- BOLDRIN, M., L. J. CHRISTIANO, AND J. D. M. FISHER (2001): “Habit Persistence, Asset Returns, and the Business Cycle,” *American Economic Review*, 91, 149–166.
- CALVO, G. A. (1983): “Staggered prices in a utility-maximizing framework,” *Journal of Monetary Economics*, 12, 383 – 398.
- CARROLL, C. D., J. OVERLAND, AND D. N. WEIL (2000): “Saving and Growth with Habit Formation,” *American Economic Review*, 90, 341–355.
- CHAMLEY, C. (1986): “Optimal Taxation of Capital Income in General Equilibrium with Infinite Lives,” *Econometrica*, 54, 607–622.
- GALI, J. (2015): *Monetary Policy, Inflation, and the Business Cycle An Introduction to the New Keynesian Framework and Its Applications*, Princeton University Press.
- GALI, J., J. D. LOPEZ-SALIDO, AND J. VALLES (2007): “UNDERSTANDING THE EFFECTS OF GOVERNMENT SPENDING ON CONSUMPTION,” *Journal of the European Economic Association*, 5, 227–270.
- JUDD, K. L. (1985): “Redistributive taxation in a simple perfect foresight model,” *Journal of Public Economics*, 28, 59 – 83.
- LJUNGQVIST, L. AND T. J. SARGENT (2018): *Recursive Macroeconomic Theory*, The MIT Press.
- MANKIW, N. G. (2000): “The Savers-Spenders Theory of Fiscal Policy,” *American Economic Review*, 90, 120–125.
- MCGRATTAN, E. R., R. ROGERSON, AND R. WRIGHT (1997): “An Equilibrium Model of the Business Cycle with Household Production and Fiscal Policy,” *International Economic Review*, 38, 267–290.
- MERZ, M. (1995): “Search in the labor market and the real business cycle,” *Journal of Monetary Economics*, 36, 269–300.