

MACRO II

Franck Portier, Toulouse School of Economics, 2009-2010

- *Under study: The macroeconomics of fluctuations and economic policy*
- *Toolbox: Dynamics, Rational Expectations, General Equilibrium*
- It is a theory course, but I will try to give examples on how to use theory to understand the data

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PLAN

1. The Traditional Approach to Fluctuations (*3 sessions*)
2. The Limits of the Traditional Approach and the Importance of Dynamics, Expectations, General Equilibrium (*4 sessions*)
3. The Modern Approach to Fluctuations: Dynamic General Equilibrium Models (*4 sessions*)
4. Application to the analysis of the Great Depression (*2 sessions*)
5. Modern Approach to Monetary Policy (*3 sessions*)

6. Macroeconomics and Finance (*2 sessions*)

ORGANIZATION OF THE COURSE

- The slides relative to the course are posted on the course web page, accessible from
<http://fpj.portier.free.fr/home/teaching/m2/m2.html>
- Small classes will consist in papers presentations.
- You are required to do a bunch of things for this course:
 1. Attend the course (although it is not compulsory)
 2. Attend the small classes, that I consider as compulsory
 3. Read and work the papers discussed in small classes

4. Do the homework exercises - problem sets and solutions will be posted

- Evaluation is done the following way
 1. 2/10 for the paper presentation and participation to the small classes,
 2. 8/10 for the final exam. The final exam is done individually and no documents are allowed during the exam.
- The exam will consist of exercises and questions relative to the course and to the papers you have to work for the small classes (look at the archives on the page course)

Papers for small classes

- 22/01/2010 – Gali 1992 – How well does the ISLM model fit postwar U.S. data?
- 29/01/2010 – Krugman, Dominquez & Rogoff 1998 – It's Baaack: Japan's Slump and the Return of the Liquidity Trap.
- 05/02/2010 – Cardia 1992 – Replicating Ricardian Equivalence Tests with Simulated Series.
- 12/02/2010 – Cogley & Nason 1995 – Output dynamics in Real-Business-Cycle Models.

- 19/02/2010* – Chari, Kehoe & McGrattan 2007 – Business Cycle Accounting.
- 23/02/2010 – Gali, Lopez-Salido & Vales 2003 – Technology shocks and Monetary Policy: Assessing the Fed's performance.
- 02/03/2010 – Gabaix 2005 – The Granular Origins of Aggregate Fluctuations.
- 05/03/2010 – Greenwood, Seshadri & Yorukuglu 2005 – Engines of Liberation.

About the handout on the webpage of the course

- The slides I am using in my course are not self-contained,
- It does not always constitute original material and is mostly a “cut and paste” combination of the various sources I am using in the course.
- It is not intended to be used outside of the course or to be distributed.
- In addition to this handout, it is strongly recommended to refer to the original sources and to the papers worked in small classes.

- The main textbooks you can refer to are : Romer [2001], Handbook of Macroeconomics [2000], Ljungqvist and Sargent [2000]

M2 Written Essays (Mémoires)

- I am ready (and happy) to advise some students willing to work on a written essay, and possibly for a thesis (without commitment from both sides).
- Proposed subject:
 1. Macro, Finance and Business cycle: The Macroeconomics of the housing market.
 2. Macro and Finance: Market operations of Central Banks and the conduct of monetary policy.

3. Macro and Environment: Carbon taxes and localization of productive activities.

4. Macro and Fiscal Policy: Modeling Fiscal Multipliers

5. ... and any suggestions from students that will be exciting and for which I will feel competent.

- About the work required

1. I am expecting that you read about 4 to 6 papers on the subject ...

2. that you really work, understand, expose two papers ...

3. and that draw from this work some potentially nice avenues for future research ...
4. any original work on some variations of existing models, or some econometrics with different data, is of course welcome (if well done) but not required.