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Macroeconomic Theory B
Course Outline, Spring 2021

1   General

This course studies models at the frontier of macroeconomic research on business cycles. It will cover both theory and empirics. It will deal with topical issues, such as the macroeconomics of COVID 19, monetary policy in a low inflation environment, and policy in the context of financial frictions.

2   Topics and Lectures

The following are key topics, to which we wil devote 1-2 lectures each:
    a. The classical business cycle model.
    b. The New Keynesian model.
    c. The role of labor market frictions.
    d. The role of financial frictions.
    e. Empirical studies of business cycles.
    f. Macroeconomics of COVID 19.

3   Probelm Sets and TA Classes

There will be 5 problem sets handed out which will be discussed by the TA Roy Cnaan[1], who will also answer questions about the course material.

4   Course Web Page

Papers are available and updates will be made on the course web page at
    https://www.tau.ac.il/~yashiv/teaching.htm

5   References

Full list of papers and their details will be given and updated on the course web page. Here are some key texts.

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References

[1] Carrillo-Tudela, Carlos and Ludo Visschers, 2020. "Unemployment and Endogenous Reallocation over the Business Cycle," **revised and resubmitted, Econometrica**.

[2] Christiano, Lawrence. J., Martin .S. Eichenbaum, and Mathias Trabandt, 2016. "Unemployment and Business Cycles," **Econometrica** 84, 4, 1523–1569.

[3] Christiano, Lawrence J., Mathias Trabandt, and Karl Walentin, 2011. "Introducing Financial Frictions and Unemployment Into a Small Open Economy Model," **Journal of Economic Dynamics and Control** 35,1999–2041.

[4] Eichenbaum, Martin S. , Sergio Rebelo, and Mathias Trabandt, 2020 . "The Macroeconomics of Epidemics, NBER Working Paper 26882.

[5] Galí, Jordi, 2011. "Monetary Policy and Unemployment," Chapter 10 in B.M. Friedman and M.Woodford (eds.) **Handbook of Monetary Economics Vol. 3A**, 487-546, North Holland, Amsterdam.

[6] TEXTBOOK Gali, Jordi, 2015. **Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework**, Princeton University Press.

[7] Gertler, Mark, Nobuhiro Kiyotaki, and Andreas Prestipino, 2016. "Wholesale Banking and Bank Runs in Macroeconomic Modeling of Financial Crises, Chapter 16 in J.B. Taylor and H.Uhlig (eds.) **Handbook of Macroeconomcis Vol. 2** 1345-1425, North Holland, Amsterdam.

[8] Kaplan, Greg, Ben Moll, and Gianluca Violante, 2020. "The Great Lockdown and the Big Stimulus: Tracing the Pandemic Possibility Frontier for the U.S.," BFI, University of Chicago, working paper no. 2020-119.

[9] Kehoe, Patrick J., Virgiliu Midrigan, and Elena Pastorino, 2018. "Evolution of Modern Business Cycle Models: Accounting for the Great Recession," **Journal of Economic Perspectives** 32, 3, 141–166.

[10] TEXTBOOK Miao, Jianjun, 2020. **Economic Dynamics in Discrete Time.** MIT Press, 2nd edition, Cambridge, MA.

[11] TEXTBOOK Pissarides, Christopher A., 2000. **Equilibrium Unemployment Theory**, MIT Press, 2nd edition, Cambridge, MA.

[12] Ramey, Valerie A., 2016. "Macroeconomic Shocks and Their Propagation, " in J. B. Taylor and H. Uhlig, (eds.), **Handbook of Macroeconomics, vol. 2A,** 71–162, Amsterdam: Elsevier.

[13] Rogerson, Roger and Robet Shimer, 2011. "Search in Macroeconomic Models of the Labor Market," in O.Ashenfelter and D.Card (eds.) **Handbook of Labor Economics Vol 4A,** North Holland, Amsterdam.

[14] Smets, Frank and Rafael Wouters, 2007. "Shocks and Frictions in US Business Cycles: A Bayesian DSGE Approach," **American Economic Review** 97(3), 586-606.

6 Grades

The course grade wil be determined by:

5% active participation in lectures and TA classes.

20% probelm set solutions.

75% final exam grade.

Remark 1 *Attendance is mandatory incuding in Zoom classes (live at the scheduled time). Note that 5% of the grade is for active participation. I will allow reasonable absences, preferably with pre-announcement.*

7 Office Hours

Please coordinate with me by email at *yashiv@tauex.tau.ac.il*

Likewise for the TA, Roy Cnaan, at *roycnaan@mail.tau.ac.il*