

Binghamton University (SUNY-Binghamton)  
Spring 2016 Economics 614 Macroeconomic Theory II

Christopher Hanes  
Library Tower 916 (9<sup>th</sup> floor)  
Telephone: 777-5487

email: [chanes@binghamton.edu](mailto:chanes@binghamton.edu) webpage: <http://bingweb.binghamton.edu/~chanes/>

**Text:** David Romer, Advanced Macroeconomics, 4th Edition, and readings listed below

**Requirements:**

*One midterm examination.*

*Final exam (comprehensive).*

*Problem sets.* You must hand in ALL problem sets on time or you will receive an F for the course. I will go over what you hand in & give you comments, but your course grade will not be affected by whether you get the answers right or wrong. You are encouraged to work together on problem sets.

**Topics and readings:**

Symbols describing where readings are available:

**1** Available through JSTOR

**2** Available in library or on my website.

**3** Go to the library website, click on “metaLINK,” then click on “e-Journals” or “database” (for some things), then type in the name of the journal or series and go to the site that covers the year needed.

**1) Real business cycle models**

King and Rebelo, “Resuscitating Real Business Cycles,” in Taylor and Woodford, eds., Handbook of Macroeconomics, Volume 1B, 1999.2

**2) Old-fashioned Keynesian IS/LM**

If you did not learn a lot about the IS/LM model as an undergraduate, read this undergraduate presentation of the model: N. Gregory Mankiw, Macroeconomics (any edition).

Romer 11.1

Reading on IS/LM.2

Romer 6.1

Poole, William. “Optimal Choice of Monetary Instruments in a Simple Stochastic Macro Model.” Quarterly Journal of Economics, May 1970, 84: 197-216.1

Reading on IS/MP.2

Friedman, Milton. “The Role of Monetary Policy.” American Economic Review, March 1968, 58:1-17.1

**3) New Keynesian, static: Menu costs and real rigidities**

Romer 6.5-6.7

Mankiw, “Small Menu Costs and Large Business Cycles: A Macroeconomic Model of Monopoly” including “Appendix: A General-Equilibrium Example.” In Mankiw and Romer, eds. New Keynesian Economics, Volume 1, 1991. 2.

**4) New Keynesian aggregate supply**

**a) Time-dependent adjustment and the New Keynesian Phillips curve**

Romer 7.1-7.4

John Roberts, “New Keynesian Economics and the Phillips Curve.” Journal of Money, Credit and Banking, November 1995, 27: 975-984.1

Jeremy Rudd and Karl Whelan, "Modeling Inflation Dynamics: A Critical Review of Recent Research." Journal of Money, Credit and Banking, February 2007, 39 (1), 155-170.3

## **b) State-dependent pricing**

Romer 7.5

## **c) Imperfect information**

### **i) Lucas supply function**

Romer 6.9

### **ii) Sticky information**

Romer 7.7

Mankiw and Reis, "Sticky Information versus Sticky Prices: A Proposal to Replace the New Keynesian Phillips Curve." Quarterly Journal of Economics, November 2002, 117: 1295-1328.3

## **5) New Keynesian IS/LM**

Romer 6.1, 7.8

King, "The New IS-LM Model: Language, Logic, and Limits." Federal Reserve Bank of Richmond Economic Quarterly, Summer 2000, 86:45-103.  
[http://www.richmondfed.org/publications/research/economic\\_quarterly/2000/summer/king.cfm](http://www.richmondfed.org/publications/research/economic_quarterly/2000/summer/king.cfm)

Clarida, Gali and Gertler. "The Science of Monetary Policy: A New Keynesian Perspective." Journal of Economic Literature, December 1999, pp. 1661-1707.3

Christiano, Eichenbaum and Evans, "Nominal Rigidities and the Dynamic Effects of a Shock to Monetary Policy." Journal of Political Economy, February 2005, 113:1-45.3

V. V. Chari and Patrick J. Kehoe, "Modern Macroeconomics in Practice: How Theory is Shaping Policy." Journal of Economic Perspectives, Fall 2006, 20 (4), 3-28.2

Robert Solow, "The State of Macroeconomics" and reply by Chari and Kehoe. Journal of Economic Perspectives, Winter 2008, 22 (1), 243-249.2

Olivier J. Blanchard, "The State of Macro." NBER Working paper 14259, August 2008.3

## **6) Financial markets**

Romer 9.9-9.10

Bernanke, Gertler and Gilchrist, "The Financial Accelerator in a Quantitative Business Cycle framework." In Taylor and Woodford, eds., Handbook of Macroeconomics Volume 1c, 1999, pp. 1341-93.2

Douglas Diamond and Philip H. Dybvig. "Bank Runs, Deposit Insurance and Liquidity." Journal of Political Economy, June 1983, 91: 401-419.1

Andrei Schleifer and Robert Vishny, "Fire Sales in Finance and Macroeconomics." Journal of Economic Perspectives, Winter 2011, 29-48.3

Markus Brunnermeier. "Deciphering the Liquidity and Credit Crunch 2007-2008." Journal of Economic Perspectives, Winter 2009, 77-100.3

Michael Woodford. "Financial Intermediation and Macroeconomic Analysis." Journal of Economic Perspectives, Fall 2010, 21-44.3