Syllabus
Danyang Xie, 2 February 2017 (created 19 September 2016)

Econ 5260 Advanced Macroeconomics II
Course Website: http://advmacro2.tiddlyspot.com/
Spring 2017
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Office Hours: Monday 2:00 pm to 3:30 pm or by appointment
TA: Song Tianle

Course Outline and Reading List

This is an advanced macroeconomics theory course for Ph.D. students, with special emphasis on monetary theory and policy. The objective of this course is to introduce you to current research on monetary macro models under flexible prices or with nominal rigidity. These models are then used to conduct monetary policy analysis. We will discuss the empirical and theoretical results that the literature has converged upon and help you develop the needed analytical techniques along the way.

Pre requisites
This course is for Ph.D. student in Economics and also available to other students as permitted by the regulations. Knowledge in dynamic optimization and in growth models is required.

All the blue items are the required readings. Print outs are not provided.

The required text book is: Carl Walsh, Monetary Theory and Policy, 3/e, MIT Press, 2010

The following books are recommended for general reference:


The following articles are for general discussions:


Evaluation Criterion

The evaluation is based on a final exam (50%), a set of homework (20%), paper presentation (20%, 45 minutes for each student) and participation in class discussion (10%). The exam will be open-book. Selection Criteria for a paper to be used for
Please download the article to your cloud drive and send the link to me.

Alert. I will be attending a conference on Wednesday (February 8). We will schedule a make-up class toward the end.

Topics and Readings

A. Test of your knowledge on Growth Theory
   • This will allow me to see how fast I can proceed with the subsequent material. Problem Set I is to help you get prepared for the subsequent topics.

B. Empirical evidence on Money, Prices, and Output
   • Walsh, Chapter 1
   • Lecture 1: Empirical Evidence
   • Leeper, Sims, and Zha, 1996 "What Does Monetary Policy Do?", Brookings Papers on Economic Activity;
   • Notes on VAR by Lawrence Christiano

C. Dynamic General Equilibrium Monetary Models
   • Money-in-Utility Model (Walsh Chapter 2)
   • Lecture 2: MIUF
   • Money and Transaction: Cash-in-Advance Model (Walsh Chapter 3)

D. Money in the Short Run: Informational and Portfolio Rigidity
   • Imperfect Information (Lucas Island Model, Lucas 1972 JET)
   • Limited Participation Model
   • Imperfect Competition and Sticky price
   • Walsh, Chapter 5
   • Romer, Chapter 6
   • Woodford, Chapter 3

E. Money in the Short Run: Nominal Price and Wage Rigidity
   • Fischer Model and Taylor Model
   • CKM model and Calvo Model
   • Time dependent Model and State dependent Model
   • Walsh, Chapter 6
   • Taylor, J. (1999),"Staggered Price and Wage Setting in Macroeconomics", in Taylor and Woodford, eds. Handbook of Macroeconomics,

F. Optimal Monetary Policy with Sticky Prices: New Keynesian Monetary Economics
G. Time Consistency and Policy

- Walsh, Chapter 7
  - Note on Time Consistency
  - Note on Barro and Gordon

H. Money and the Open economy

- Walsh, Chapter 9

I. Re-interpretations