

M.Sc. Economics

Code:		Type:	M.Sc. 3 rd semester lecture series
Title:	Macroeconomics III		
Lecturer:	Michael Reiter/Tamás Papp		
ECTS:	7	Contact hours (per semester):	24
Semester:	Winter 2009/2010	Frequency of the lecture:	Three times a week
Dates:	October 6 th , 2009 until January 19 th , 2009		
Prerequisites:	Macroeconomics I and Macroeconomics II		

Learning objectives (What are the intended learning outcomes? Which skills will be acquired?):

The course will cover topics in macroeconomics, including (1) frictional labor markets, (2) incomplete financial markets and wealth heterogeneity, (3) RBC models, (4) New Keynesian DSGE models. As some of the course materials will be provided in the form of articles, reading and understanding articles is an additional general skill that will be introduced gradually.

Content (Which professional competence and which contents will be imparted?):

First half

- Poisson process. HJB equations as limits of discrete-time Bellman equations. Partial equilibrium models of frictional labor markets. Application: the mean-min ratio.
- The basic Mortensen-Pissarides model and the Shimer puzzle.
- Diamond paradox, Burdett-Mortensen model.
- Review of recursive equilibrium and other equilibrium concepts. Blanchard-Yaari perpetual youth model.
- Standard incomplete markets model, computation of the equilibrium.
- Wealth distribution.
- Aggregation, approximate aggregation.

Second half

- The standard RBC model: theory, calibration, computation and interpretation of the results
- The nature of technology shocks: neutral versus investment specific
- The empirical effect of technology shocks
- Price stickiness and the benchmark New Keynesian model
- The monetary transmission mechanism.

Teaching approach (Description of the learning and teaching methods):

Lecture and group work.

Workload (Definition of workload (ECTS), divided in pre-modules (e.g. pre-readings), core-modules (contact hours), post-modules (e.g. case studies)):

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Language of instruction (Information on the language of teaching):

English

Obligatory literature (E.g. scripts, books, articles, cases, papers):

First half: detailed bibliography of articles will be provided.

Second half: Selected chapters from the following books:

George McCandless: *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*

Jordi Gali: *Monetary Policy, Inflation and the Business Cycle*

Detailed bibliography with journal articles will be provided in the course.

Additional literature (E.g. books, articles, cases, papers):

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Mode of examination (Mode of the examinations and tests (e.g. oral or written examination, lecture, homework, papers, class participation):

The grade will be based on a combination of homeworks and written midterm and final examinations.

Grading:

- Homeworks (20%)
- Midterm examination (30%)
- Final examination (50%)

Special features (E.g. excursion, guest speaker):

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Contact information:

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Office hours:

Tamas Papp: Tuesday 15.30-17.30, Room A314;
 please make an appointment in advance!

Michael Reiter: anytime, on appointment

Course website:

First half: <http://ihs.ac.at/~tpapp/m3>; **second half:** <http://ihs.ac.at/~mreiter/m3> and <https://cecnet.tuwien.ac.at/>