


The version you're consulting is not final. This course description may change. The final version will be published on 1st June.

5.00 credits	30.0 h + 6.0 h	Q1
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Teacher(s)	Pensieroso Luca ;
Language :	English
Place of the course	Louvain-la-Neuve
Prerequisites	ECON2021 Fluctuations économiques et fondements de la politique macro (or similar)
Main themes	The course should cover models relevant for economic policy, especially with goods and labour market imperfections as well as with monetary policy. The course also covers the application of general equilibrium dynamic models to stochastic environments (such as real business cycle models and New Keynesian models). It includes economic policy simulations.
Learning outcomes	<p>At the end of this learning unit, the student is able to :</p> <p>1 The aim of the course is to cover at an advanced level the main topics of modern macroeconomic theory, with an emphasis on its relevance for economic policy and applications of general equilibrium dynamic models. Students should learn to master the corresponding simulation tools.</p>
Evaluation methods	Individual homework (penalties for lack of delivery, maximum penalty -2/20). Written or oral exam (depending on sanitary conditions). The use of Artificial Intelligence (AI) during the exam is forbidden. See Faculty (ESPO) regulations on the matter.
Teaching methods	Lectures + homeworks + tutorial classes
Content	<p>This course introduces students to the core elements of modern macroeconomics from a Dynamic General Equilibrium (DGE) perspective. The focus of the course will be on providing the students with the analytical tools necessary to carry out research in macroeconomics. The broad areas covered are:</p> <ul style="list-style-type: none"> • The neoclassical growth model • Real business cycle models • Money, nominal rigidities, demand determined output, the New Keynesian model • Other specific aspects of DGE models

Bibliography	<p>The textbook is: Wickens M., <i>Macroeconomic Theory. A Dynamic General Equilibrium Approach</i>, Princeton University Press, 2011. Useul complements to the textbook are: Benassy J. P., <i>Macroeconomic Theory</i>, Oxford University Press, 2011. Blanchard O. J. and S. Fisher, <i>Lectures on Macroeconomics</i>, The MIT Press, 1989. Heijdra B. J., <i>Foundations of Modern Macroeconomics</i>, Oxford University Press, 2009. McCandless G., <i>The ABCs of RBCs</i>, Harvard University Press, 2008. Romer D., <i>Advanced Macroeconomics</i>, McGraw-Hill, 2019. An advanced undergraduate textbook in Macroeconomics: Chugh S. K., <i>Modern Macroeconomics</i>, The MIT Press, 2015. Additional readings about the open economy: Obstfeld M. and K. Rogoff, <i>Foundations of International Macroeconomics</i>, The MIT Press, 1996. Uribe M. and S. Schmitt-Grohé, <i>Open Economy Macroeconomics</i>, Princeton University Press, 2017. Additional readings about DSGE Models Chari V. V., P. J. Kehoe and E. R. McGrattan (2007), "Business Cycle Accounting", <i>Econometrica</i>, 75, 781-836. Gali J., <i>Monetary Policy, Inflation and the Business Cycle. An Introduction to the New Keynesian Framework</i>, Princeton University Press, 2015. Farmer R. E. A., <i>Macroeconomics of Self-fulfilling Prophecies</i>, The MIT Press, 2002. Nicoletti, G. and L. Penserioso (forthcoming), "Exogenous fluctuations: DSGE models", <i>mimeo</i>. Smets F. and R. Wouters (2003), "An Estimated Dynamic Stochastic General Equilibrium Model of the Euro Area", <i>Journal of the European Economic Association</i>, 1, 1123-1175. Walsh C. E., <i>Monetary Theory and Policy</i>, The MIT Press, 2010. Additional readings about economic growth Barro R. J. and X. Sala-i-Martin, <i>Economic Growth</i>, The MIT Press, 2004 Additional readings about the Great Depression Cole, H. L., and L. E. Ohanian (1999): "The Great Depression in the United States from a Neoclassical Perspective," <i>Federal Reserve of Minneapolis Quarterly Review</i>, 23, 2–24. Kehoe, T. J., and E. C. Prescott (2002): "Great Depressions of the 20th Century," <i>Review of Economic Dynamics</i>, 5, 1–18. Penserioso, L. (2011): "Real Business Cycle Models of the Great Depression", <i>Clometrica</i>, 5, 101-119. Penserioso L. , and R. Restout (forthcoming), "The Gold Standard and the international dimension of the Great Depression", <i>Macroeconomic Dynamics</i>. Published online 2023:1-25. doi:10.1017/S1365100523000494 The models we are dealing with in the class can all be solved numerically and simulated using the (free) code package Dynare. You can download Dynare here: https://www.dynare.org/download/ . In case you have an Apple computer, you need to download the MacOS version. To run Dynare code you need to install the software Matlab.</p>
Faculty or entity in charge	ECON

Programmes containing this learning unit (UE)				
Program title	Acronym	Credits	Prerequisite	Learning outcomes
Master [120] in Economics: Econometrics	ETRI2M	5		
Master [120] in Economics: General	ECON2M	5		