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Macroeconomics III (Ph.D.)
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Textbooks

- * Galí, J. *Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework*, MIT Press, 2nd edition
- * Walsh C.E. *Monetary Theory and Policy*, MIT Press 2010 (3d edition)
- Woodford M. (2003), *Interest and Prices*, Princeton University Press

- Handouts / slides

1. Beyond RBC Theory: Credit Market Imperfections

1.1 Introduction

Christiano L. and Ikeda (2012), "Government Policy, Credit Markets and Economic Activity".
Mimeo.

Quadrini V. (2011), "Financial Frictions in Macroeconomic Fluctuations", *Federal Reserve Bank of Richmond's Economic Quarterly*.

2.1 Evidence

Gilchrist, Simon and Egon Zakrasjek (2012), "Credit Spreads and Business Cycle Fluctuations: Evidence from Corporate Bond and Stock Markets", *American Economic Review*.

2.2 Limited commitment. Credit frictions as a source of amplification and persistence

Walsh chp. 10

Kiyotaki N. and J. Moore (1997), "Credit Cycles", *Journal of Political Economy*, 105, 211-248.

2. Beyond RBC Theory. The Effect of Money on Output, the Role of Demand Shocks, and the Micro Evidence on Nominal Price Rigidity

Walsh chp 1

Nakamura E. and J. Steinsson, "Price Rigidity: Microeconomic Evidence and Macroeconomic Implications", <http://www.columbia.edu/~en2198/papers/psurvey.pdf>

Christiano, L.J., M. Eichenbaum, and C. L. Evans (2005) "Nominal Rigidities and the Dynamics Effects of a Shock to Monetary Policy", *Journal of Political Economy*.

Bils, Mark and Peter J. Klenow (2004): "Some Evidence on the Importance of Sticky Prices," *Journal of Political Economy*, vol 112 (5), 947-985.

Galí, J., "Technology, Employment, and the Business Cycle: Do Technology Shocks Explain Aggregate Fluctuations?", *American Economic Review*, March 1999, 89 (1), 249-271 (<http://www.crei.cat/people/gali/>).

Galí, J. and P. Rabanal, “Technology Shocks and Aggregate Fluctuations: How Well Does the RBC Model Fit the Postwar U.S. Data?”, *NBER Macroeconomic Annual*, 2004 (available at <http://www.crei.cat/people/gali/>).

3. The New Keynesian Framework: Adding Monopolistic Competition and Nominal Price Rigidity.

[Gali chps. 3-4.](#)
[Walsh chp 6 and 8](#)

Goodfriend, M. and R.G. King, “The New Neoclassical Synthesis and the Role of Monetary Policy,” in *NBER Macroeconomics Annual 1997*, by B.S. Bernanke and J.J. Rotemberg (eds.), Cambridge, MIT Press.

4. Optimal Monetary Policy in the New Keynesian Model

[Gali chp. 5](#)

Clarida, Richard, Jordi Galí, and Mark Gertler (1999): “The Science of Monetary Policy: A New Keynesian Perspective,” *Journal of Economic Literature*, vol. 37, no. 4, 1661-1707.

Woodford M., “Optimal Monetary Stabilization Policy” (2011), in: B.M. Friedman and M. Woodford, eds., *Handbook of Monetary Economics*, vol. 3B. Available at <http://www.columbia.edu/~mw2230/>