FGV | SAO PAULO SCHOOL OF ECONOMICS

Syllabus

[cmcd.economia@fgv.br]

Course: Macroeconomics II
Professor:

2027 FIRST SEMESTER

COURSE OUTLINE

The course covers search-theoretic models of the labor market and of money; financial frictions arising from information, banks, and collateral, together with financial fragility and credit cycles; overlapping generations models, with an emphasis on dynamic efficiency, public debt, and bubbles; and the interaction between monetary and fiscal policy, with a focus on the fiscal theory of the price level.

BIBLIOGRAPHY

TEXTBOOKS
Cochrane, "The Fiscal Theory of the Price Level", Princeton University Press, 2023
Ljungqvist and Sargent, "Recursive Macroeconomic Theory", 4th ed., MIT Press, 2018
Romer, "Advanced Macroeconomics", 5th ed., McGraw-Hill, 2019

LABOR MARKET FRICTIONS
Mortensen and Pissarides, "Job Creation and Job Destruction in the Theory of Unemployment", REStud, 1994
* Rogerson, Shimer and Wright, "Search-Theoretic Models of the Labor Market: A Survey", JEL, 2005

MONETARY FRICTIONS
Kiyotaki and Wright, "A Search-Theoretic Approach to Monetary Economics", AER, 1993
* Lagos, Rocheteau and Wright, "Liquidity: A New Monetarist Perspective", JEL, 2017

FINANCIAL FRICTIONS – INFORMATION
* Dang, Gorton, Holmström and Ordoñez, "Banks as Secret Keepers", AER, 2017
* Gorton and Ordoñez, "Collateral Crises", AER, 2014
* Holmström and Tirole, "Financial Intermediation, Loanable Funds, and the Real Sector", QJE, 1997

FINANCIAL FRICTIONS – FRAGILITY
* Diamond and Dybvig, "Bank Runs, Deposit Insurance, and Liquidity", JPE, 1983

FINANCIAL FRICTIONS – CYCLES
Bernanke and Gertler, "Agency Costs, Net Worth, and Business Fluctuations", AER, 1989
* Kiyotaki and Moore, "Credit Cycles", JPE, 1997

OVERLAPPING GENERATIONS
Blanchard, "Public Debt and Low Interest Rates", AER, 2019
* Romer, "Advanced Macroeconomics"

FISCAL THEORY OF THE PRICE LEVEL
* Cochrane, "The Fiscal Theory of the Price Level"
Sargent and Wallace, "Some Unpleasant Monetarist Arithmetic", FED of Minneapolis Quarterly Review, 1981
Kocherlakota and Phelan, "Explaining the Fiscal Theory of the Price Level", FED of Minneapolis Quarterly Review, 1999

GRADING

Final exam worth 80%. Problem sets 20%.

PROFESSOR – EMAIL

PROGRAM

Introduction	Dynamic Optimization	Ljungqvist and Sargent (2018)
Labor Market Frictions	Decision Theory	Rogerson, Shimer and Wright (2005)
	Equilibrium Theory	Rogerson, Shimer and Wright (2005)
Monetary Frictions	Search Models	Lagos, Rocheteau and Wright (2017)
Financial Frictions Information	Collateral	Gorton and Ordoñez (2014)
	Banks – Liability Side	Dang, Gorton, Holmström and Ordoñez (2017)
	Banks – Asset Side	Holmström and Tirole (1997)
Financial Frictions Fragility	Banks – Liability Side	Diamond and Dybvig (1983)
Financial Frictions Cycles	Collateral	Kiyotaki and Moore (1997)
Overlapping Generations	Growth	Romer (2019)
	Public Debt	Blanchard (2019)
Fiscal Theory of the Price Level	The Fiscal Theory	Cochrane (2023)
	Prova Final	