

## Macroeconomics 2

This course aims at introducing a benchmark framework of general equilibrium. The lectures are based on simple static models characterized by 3 goods: labor, money and consumption. This simple framework is used to reinterpret some Keynesian features in a Walrasian context of general equilibrium. This will allow us to discuss issues related to unemployment, under a macroeconomic perspective. Moreover, lectures will study the implications of market power as well as the ones related to coordination failures. Finally, the lecturer will introduce the fundamentals at the roots of nominal rigidities.

The course is taught in English and focuses on four main topics -- that are listed in the following program of the course. Lectures will follow the structure of lecture notes -- to be provided to students. Find here in the following a list of suggested manuals, additional references as well as some (very) optional references.

### Manuals:

D. Romer, *Advanced Macroeconomics*, Mc Graw Hill.

Blanchard and Fischer (1989), *Lectures on Macroeconomics*, MIT press.

### Program :

#### **1 General equilibrium with perfect competition**

i )The global equilibrium in a Keynesian world.

ii) Perfect competition and fixed prices.

Material:

i ) Notes: "Perfect competition and fixed prices".

ii) Notes on implicit function theorems (to be distributed in class).

iii) Problem Set 1

Reading:

i) J.-O. Hairault (2000), *Analyse macroéconomique*, La Découverte, Vol 1.

ii) Simon and Blume (1994), *Mathematics for Economists*, Ch. 14, Norton and Company.

Further and (very) optional reading:

J.M. Grandmont ( 1982), Temporary general equilibrium theory, chapter 19 in *Handbook of Mathematical Economics* , North-Holland Publishing Company.

## **2 Imperfect competition, market power and underemployment**

- i) Introduction to imperfect competition.
- ii) Imperfect competition, market power and underemployment.
- iii) An application: The Blanchard and Kyiotaki model.

Material:

- i) Notes: "Imperfect competition, market power and underemployment".
- ii) Problem Set 2.

Reading:

- i) Varian, *Microeconomic Analysis*, W. W. Norton.
- ii) Wickens (2008), *Macroeconomic Theory: a general equilibrium approach*, Princeton University Press.
- iii) Blanchard and Kyiotaki, Blanchard, Olivier Jean & Kiyotaki, Nobuhiro, 1987. "Monopolistic Competition and the Effects of Aggregate Demand," *American Economic Review*, American Economic Association, vol. 77(4), pages 647-66, September.
- iv) Simon and Blume (1994), *Mathematics for Economists*, Ch. 20, Norton and Company.

## **3 Fiscal policy, public spending and imperfect competition**

- i) The imperfectly competitive model with public spending
- ii) Income effects and mark up effects on labor supply

Material:

- i) Notes: "Fiscal policy, public spending and imperfect competition"

Additional and optional reading:

- i) Dixon and Rankin (1994), "Competition and Macroeconomics: a Survey", *Oxford Journals*, Vol 46 (2).
- ii) Mankiw (1987), "Imperfect Competition and the Keynesian Cross", NBER, Working paper No. 2386.

#### **4 Coordination failures, nominal rigidities and monetary policy**

i) Imperfect competition and coordination failures

ii) The fundamentals at the roots of nominal rigidities

Materials:

Lecture notes: "Coordination failures, nominal rigidities and monetary policy"

Reading

i) J.-O. Hairault (2000), *Analyse macroéconomique*, La Découverte, Vol 2.