JEM097 Economic Dynamics II

1. History and general principles of Dynamic stochastic equilibrium models (DSGE)

2. Taylor expansion. Log-linearization of DSGE model.

3. Perturbation methods. Comparison to Taylor expansion and log-linearization. First and second order expansions.

4. State and control variables, eigenvalues of the problem. Usage of Jordan and Generalized Schurr matrix decompositions.

5. Guess and verify method (undetermined coefficients method). Structure of solution of real business cycle DSGE models.

6. What was the state of macroeconomics triggering the RBC research?

7. Describe the main characteristics of RBC model. What are the main steps in solving the model? How does RBC model differ from typical econometric models? How do you evaluate model performance?

8. Discuss the stylized business cycle facts that baseline RBC models aim to match.

9. What are the typical forms of utility functions we considered throughout the course? Discuss their properties and implications for the model.

10. Explain typical picture with impulse response functions generated by basic RBC model. Provide economic interpretation.

11. What does RBC and New Keynesian models have in common? Specify the main properties distinguishing New Keynesian models from RBC.

12. Discus the determinacy vs. indeterminacy in the classical monetary model.

13. What is Calvo pricing?

14. Discus the role of monetary policy in the classical monetary model.

15. Discus the intuition of Euler equation in RBC models, classical monetary model and in New Keynesian models.