UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Economics & Finance of Global Markets

2425-2-F1601M063

Learning objectives

The primary objective of the course is to understand the characteristics of basic macroeconomic models, analyzing them from both a theoretical and empirical perspective. The course aims to enable students to understand the fundamental aspects of growth theory and the analysis of business cycles and the connection between real and financial markets.

Part of the course is dedicated to simulating business cycle models.

Contents

This course is composed of five parts.

1. In the first part, we will analyze the "stylized facts" related to economic growth and the main growth models.
2. The second part of the course is dedicated to the study of the business cycle and of *Real Business Cycle* models, characterized by the absence of markets imperfections.
3. The third part analyze *New Keynesian* models, where we will introduce imperfect competion and price and wage rigidities.
4. The fourth part deals with the simulation of the models considered, using MATLAB and Dynare.
5. The course concludes with the development of a simulation project by the students.

Detailed program

First part

1. Stylized facts about growth
2. Solow model (theory and empirical evidence)
3. Ramsey-Cass-Koopmans model

Second part

1. Definition of the concept of the economic cycle
2. Development and analysis of the Real Business Cycle model (role of technology)
3. Simulation of the model (with particular emphasis on technological shocks)

Third part

1. Development and analysis of the basic New Keynesian model with sticky prices and wages (role of monetary policy)
2. Development and analysis of a medium-scale Dynamic Stochastic General Equilibrium (DSGE) macroeconomic model (Christiano, Eichenbaum, and Evans, 2005 model)
3. Simulation of the models (analysis of the effects of technological and monetary shocks)
4. Models with financial frictions

Fourth part

1. Analysis of other structural shocks that can affect the economic system
2. Deterministic and stochastic simulation of the analyzed models
3. Analysis of results

Fifth part

1. Development of a simulation project by the students.

Prerequisites

Standard undergraduate courses in maths, statistics, micro and macro.

For Erasmus students: the skills in macroeconomics, microeconomics, mathematics, and statistics must be consolidated in order to successfully tackle the course. Basic notions of econometrics are also useful.

Teaching methods

The course consists of a total of 56 hours, divided as follows:

28 hours of in-person lectures
22 hours in the laboratory (depending on availability, it may be conducted in-person or remotely)
6 hours in the laboratory for the estimation project (in-person)

Assessment methods

Attending students: project and written exam.

Non-attending students: project and written exam.

Written exam (3 questions), 5/8 of final mark. Evaluation focuses on methodological rigour and analysis of theoretical models.

Project preparation, 3/8 of final mark. Evaluation focuses on knowledge of software and interpretation of results.

Textbooks and Reading Materials

D. Romer, *Advanced Macroeconomics*, McGraw-Hill (ch. 1-2 part A).

J. Galí, *Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and Its Applications*, Princeton University Press (cap. 1-2-3-6).

Scientific papers, available on the course page.

Semester

Second semester

Teaching language

Italian/English

Sustainable Development Goals

QUALITY EDUCATION