

NOVEMBER 7, 2011







					The Evol	ution of Macroeconomics: Phase II	//	
Pr	INC	IPLES	of RI	BC M	ACROECO	NOMICS		
	Basi	c Tenets						
		Markets	operate (nearly) p	erfectly compe	titively		
		Price rigi from Key	dities/inf nesian pr	lexibilitie	s are <u>not</u> very	important - conceptual brea	k	
		Model the relations	e econom hips – me	ic interacethodolog	tions, not mer <mark>ical break fron</mark>	ely the statistical NKeynesian principles		
	Whi	/hich types of shocks are the main driver of business cycles?						
	u	TFP shoc	ks (not p	olicy – an	Other concepti What's "left o	Ial break from Keynesianism ver" after accounting for what we can account for) r	
	How	to meas	ure TFP	? As a " $Dutput = A$	residual," us A f(k.,n.) = Ak ²	ing the Cobb-Douglas n^{1-lpha}		
EXAMPL	E			1 1	13 (1) 1) 11	T		
	Period	<u>Output</u>	<u>Capital</u>	<u>Labor</u>	<u>TFP</u>			
Suppose alpha = 0.5 for simplicity	2004	12.0	16	9	- Productivit	y between 2004 and 2005		
(U.S. economy: alpha ≈ 0.30)	2005	14.4	16	9	 Productivit	y between 2005 and 2006		
	2006	19.2	16	16	- Productivit	·		
	2007	17.6	16	16	J	y Detween 2000 and 2007		
Nove	mber 7.	2011				5		
	.,							





















HERE IS PRODUCED TODAT:					
Keynesian Macroeconomics					
Ideology: Price rigidities/"sticky prices"					
Policy stance: policy (fiscal and monetary) of crucial importance f macroeconomic performance	for				
Methodology: econometric/statistical modeling					
RBC Macroeconomics					
Ideology: Prices are not rigid or "sticky"					
Policy stance: policy (neither fiscal nor monetary) not very impor for macroeconomic performance	tan				
Methodology: dynamic general equilibrium modeling					
New Keynesian Macroeconomics	mixed				
Ideology: <u>Price rigidities/"sticky prices"</u>					
Policy stance: policy (fiscal and monetary) of crucial importance finance macroeconomic performance The enduring imprint of the RBC rev	f or olutio				
Methodology: <u>dynamic general equilibrium modeling</u>					
A central issue in macroeconomics: monetary neutrality?					
Does monetary policy have any important effects on the <u>real</u> econ	omy				