

# Outline: Real Business Cycle models

The course will cover Real Business Cycle (RBC) modeling, with a focus on intuition and basic derivations. The main reference used is: King, Robert G. and Sergio T. Rebelo (1999), “Resuscitating Real Business Cycles” in: John B. Taylor and Michael Woodford, Eds. Handbook of Macroeconomics. Amsterdam: Elsevier, 1999. Vol. 1B, 927-1007. The outline is as follows:

## 1. Introduction

- (a) What is an economic model and why it is useful.
- (b) A brief overview of the history and controversies of macroeconomics.
- (c) Stylized business cycle facts

## 2. The structure of the neoclassical model

- (a) RBC methodology: at the heart of dynamic stochastic general equilibrium macro models (DSGE)
- (b) Basic optimality conditions as tradeoffs
- (c) Calibration
- (d) Solow residual

## 3. Dynamics

- (a) Transitional dynamics
- (b) Perturbation
- (c) General intuition: wealth and substitution effects