Spring 2004-05

Economics 210C – Macroeconomics Prof. Garey Ramey

Syllabus (v2)

Required Texts

Walsh, *Monetary Theory and Policy*, 2nd ed., MIT Press, 2003 Sigmon and Davis, MATLAB Primer, 7th ed., Chapman & Hall/CRC, 2005

Course Grade

The grade will be based on two computational projects (25% each) and a final exam (50%).

Topics and Readings

Required readings are marked with stars.

1. Preliminaries

- * Sigmon and Davis (pp. 1-39, 54-62)
- * Course notes on dynamic modeling

2. Measuring Business Cycles

- * Whelan, "A Guide to the Use of Chain Aggregated NIPA Data," Federal Reserve Board, June 2000
- * Business Cycle Dating Committee, "The NBER's Business-Cycle Dating Procedure," NBER, Oct. 21, 2003

"Business Cycle Expansions and Contractions," NBER Website (http://www.nber.org/cycles.html), March 18, 2005

- * Stock and Watson, "Business Cycle Fluctuations in U.S. Macroeconomic Time Series," in Taylor and Woodford, eds., *Handbook of Macroeconomics*, Vol. 1B, Elsevier, 1999, pp. 5-14
 - Blanchard and Quah, "The Dynamic Effects of Aggregate Demand and Supply Disturbances," *AER*, Sept. 1995

Harding and Pagan, "Dissecting the Cycle: A Methodological Investigation," *JME*, 2002

3. Real Business Cycle Model

- * Cooley and Prescott, "Economic Growth and Business Cycles," in Cooley, *Frontiers* of Business Cycle Research, Princeton, 1995
- * Hansen, "Indivisible Labor and the Business Cycle," *JME*, Nov. 1985
 Cogley and Nason, "Output Dynamics in Real-Business-Cycle Models," *AER*, June 1995

Cooley and Dwyer, "Business Cycle Analysis without Much Theory: A Look at Structural VARs," *JEconometrics*, Mar-Apr 1998

Rotemberg and Woodford, "Real-Business-Cycle Models and Forecastable Movements in Output, Hours and Consumption," *AER*, Mar. 1996

4. Government Spending

* Baxter and King, "Fisal Policy in General Equilibrium," *AER*, June 1993 Christians and Eisbanhaum "Current Baal Business Cycle Theories and Age

Christiano and Eichenbaum, "Current Real-Business-Cycle Theories and Aggregate Labor-Market Fluctuations," *AER*, June 1992

Ramey and Shapiro, "Costly Capital Reallocation and the Effects of Government Spending," *Carn-Roch Series*, June 1998

Christiano, Eichenbaum and Fisher, "Fiscal Shocks and their Consequences," *JET*, Mar. 2004

5. Measuring Money Shocks

- * Walsh, ch. 1
- * Bernanke and Blinder, "The Federal Funds Rate and the Channels of Monetary Transmission," *AER*, Sept 1992

Romer and Romer, "Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz," in Blanchard and Fisher, eds., *NBER Macroeconomics Annual 1989*, MIT Press, 1989

Christiano, Eichenbaum and Evans, "Monetary Policy Shocks: What Have We Learned and to What End?" in Taylor and Woodford, eds., *Handbook of Macroeconomics*, *Vol. 1A*, Elsevier, 1999

6. Monetary Business Cycle Models

- * Walsh, chs. 2-3, 5
- * Cooley and Hansen, "The Inflation Tax in a Real Business Cycle Model," AER, Sept. 1989

Chari, Kehoe and McGrattan, "Sticky Price Models of the Business Cycle: Can the Contract Multiplier Solve the Persistence Problem?" *Econometrica*, Sept. 2000 Fuhrer and Moore, "Inflation Persistence," *QJE*, Feb. 1995

Gali and Gertler, "Inflation Dynamics: A Structural Econometric Analysis," *JME*, Oct. 1999

7. Monetary Policy

- * Walsh, chs. 4, 9-11
- * Taylor, "Discretion versus Policy Rules in Practice," Carn-Roch Series, Dec. 1993
- * Clarida, Gali and Gertler, "The Science of Monetary Policy: A New Keynesian Perspective," *JEconLit*, Dec. 1999

Woodford, "Optimal Interest-Rate Smoothing," *REStud*, Oct. 2003 Kahn, King and Wolman, "Optimal Monetary Policy," *REStud*, Oct. 2003