

Syllabus

Course Grade

The grade will be based on two computational projects and a final exam:

Computational Project 1	15%
Computational Project 2	35%
Final Exam	50%

Topics and Readings

Required readings are marked with stars.

I. Aggregate Fluctuations

A. Measurement Concepts

- Bureau of Economic Analysis, "Updated Summary NIPA Methodologies," Nov. 2005
- * Whelan, "A Guide to the Use of Chain Aggregated NIPA Data," Federal Reserve Board, draft, June 2000
 - * Abraham, "What We Don't Know Could Hurt Us: Some Reflections on the Measurement of Economic Activity," *JEPersp*, Summ. 2005

B. Time Series Modeling

- * G. Ramey, "Notes on Time Series Modeling," Jan. 2010, pp. 1-9
- * Stock and Watson, "Business Cycle Fluctuations in U.S. Macroeconomic Time Series," in Taylor and Woodford, *Handbook of Macro*, Vol. 1B, 1999, pp. 5-14

C. Empirical Properties

- Business Cycle Dating Committee, "The NBER's Business-Cycle Dating Procedure," NBER, Oct. 21, 2003
- * King and Rebelo, "Resuscitating Real Business Cycles," in Taylor and Woodford, *Handbook of Macro*, Vol. 1B, 1999, pp. 931-42

II. Consumption

A. Life Cycle-Permanent Income Model

- * Romer, *Advanced Macroeconomics*, 3rd ed., 2006, pp. 346-365
 - * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 279-288
 - * Attanasio, "Consumption," in Taylor and Woodford, *Handbook of Macro*, Vol. 1B, 1999, pp. 741-805
- Deaton, *Understanding Consumption*, 1992, chs. 1,3,4
- Hall, "Stochastic Implications of the Life Cycle-Permanent Income Hypothesis," *JPE*, Dec. 1978
- Flavin, "The Adjustment of Consumption to Changing Expectations about Future Income," *JPE*, Oct. 1981

B. Precautionary Saving and Buffer Stocks

- * Romer, *Advanced Macroeconomics*, 3rd ed., 2006, pp. 370-380
- * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 288-291
- * Carroll, "Buffer-Stock Saving and the Life Cycle/Permanent Income Hypothesis," *QJE*, Feb. 1997
- Drèze and Modigliani, "Consumption Decisions under Uncertainty," *JET*, Dec. 1972
- Kimball, "Precautionary Saving in the Small and in the Large," *Econometrica*, Jan. 1990
- Carroll, "A Theory of the Consumption Function, With and Without Liquidity Constraints," draft, Johns Hopkins, July 6, 2001
- Gourinchas and Parker, "Consumption over the Life Cycle," *Econometrica*, Jan. 2002

III. Asset pricing

- * Romer, *Advanced Macroeconomics*, 3rd ed., 2004, pp. 366-370
- * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 506-512
- Deaton, *Understanding Consumption*, 1992, ch. 2
- Lucas, "Asset Prices in an Exchange Economy," *Econometrica*, Nov. 1978
- * Mehra and Prescott, "The Equity Premium: A Puzzle," *JME*, Mar. 1985
- Constantinides, "Habit Formation: A Resolution of the Equity Premium Puzzle," *JPE*, June 1990
- Epstein and Zin, "Substitution, Risk Aversion, and the Temporal Behavior of Consumption and Asset Returns: An Empirical Analysis," *JPE*, Apr. 1991

IV. Investment

A. Capital Investment

- * Romer, *Advanced Macroeconomics*, 3rd ed., 2006, pp. 386-417
- * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 58-63, 291-301
- Jorgenson and Hall, "Tax Policy and Investment Behavior," *AER*, June 196
- * Hayashi, "Tobin's Marginal Q and Average Q: A Neoclassical Interpretation," *Econometrica*, Jan. 1982
- * Hartman, "The Effects of Price and Cost Uncertainty on Investment," *JET*, Oct. 1972
- Abel and Eberly, "A Unified Model of Investment Under Uncertainty," *AER*, Dec. 1994
- Eberly, Rebelo and Vincent, "Investment and Value: A Neoclassical Benchmark," NBER WP 13866, 2008

B. Inventory Investment

- * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 301-308
- V. Ramey and West, "Inventories," in Taylor and Woodford, *Handbook of Macro*, Vol. 1B, 1999

V. Real Business Cycles

A. Benchmark RBC Model

- * King and Rebelo, "Resuscitating Real Business Cycles," in Taylor and Woodford, *Handbook of Macro*, Vol. 1B, 1999, pp. 942-1002
- * G. Ramey, "Notes on Log-linearizing the RBC Model," Jan. 2010

- * G. Ramey, “Notes on Linear Rational Expectations Equilibria,” Jan. 2010
- Prescott, “Theory Ahead of Business-Cycle Measurement,” *Carn-Roch Conf Series*, Aut. 1986
- 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
- Rogerson, “Indivisible Labor, Lotteries, and Equilibrium,” *JME*, Jan. 1988
- * Phelps, “Our Uncertain Economy”, *WSJ*, Mar. 14, 2008

B. Government Spending Shocks

- * Christiano and Eichenbaum, “Current Real-Business-Cycle Theories and Aggregate Labor-Market Fluctuations,” *AER*, June 1992
- Burnside, Eichenbaum and Fisher, “Fiscal Shocks and Their Consequences,” *JET*, Mar. 2004
- V. Ramey, “Identifying Government Spending Shocks: It’s All in the Timing,” draft, UCSD, Oct. 2009
- Baxter and King, “Fiscal Policy in General Equilibrium,” *AER*, June 1993

C. Productivity Shocks

- * G. Ramey, “Notes on Time Series Modeling,” Jan. 2010, pp. 10-21
- Blanchard and Quah, “The Dynamic Effects of Aggregate Demand and Supply Disturbances,” *AER*, Sept. 1989
- * Cogley and Nason, “Output Dynamics in Real Business Cycle Models,” *AER*, June 1995
- * Evans, “Productivity Shocks and Real Business Cycles,” *JME*, Apr. 1992
- Galí and Rabanal, “Technology Shocks and Aggregate Fluctuations: How Well Does the Real Business Cycle Model Fit Postwar U.S. Data?” *NBER Macro Annual 2004*
- Christiansen, “Do Technology Shocks Lead to Productivity Slowdowns? Evidence from Patent Data,” IMF Working Paper, Jan. 2008

VI. Overlapping generations

- * Romer, *Advanced Macroeconomics*, 3rd ed., 2006, pp. 76-92
- * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 91-143
- Rios-Rull, “Life-Cycle Economies and Aggregate Fluctuations,” *REStud*, 1996

VII. Labor market frictions

- * Romer, *Advanced Macroeconomics*, 3rd ed., 2006, ch. 9
- * Blanchard and Fischer, *Lectures on Macroeconomics*, 1989, pp. 428-463
- Bureau of Labor Statistics, “Labor Force Data Derived from the Current Population Survey,” ch. 1 of *Handbook of Methods*, 2003
- Blanchard and Diamond, “The Beveridge Curve,” *Brookings Papers*, 1989
- Mortensen and Pissarides, “Job Creation and Job Destruction in the Theory of Unemployment,” *REStud*, July 1994
- Den Haan, G. Ramey and Watson, “Job Destruction and Propagation of Shocks,” *AER*, June 2000