Reading List for Special Topics in Economics (Econ 281a) UCSD, Winter 2014 James D. Hamilton

Starred items (*) are most important.

M Jan 6: Structural interpretation of vector autoregressions

(*) James D. Hamilton, *Time Series Analysis*, Princeton University Press, 1994, Chapter 11

W Jan 8: Alternative identification strategies

Olivier J. Blanchard and Danny Quah (1989), "Dynamic Effects of Aggregate Demand and Supply Disturbances," *American Economic Review* 79, pp. 655-672

Jon Faust, Eric T. Swanson, and Jonathan H. Wright (2004), "Identifying VARs Based on High-Frequency Futures Data," *Journal of Monetary Economics* 51, pp. 1107-31

(*) James H. Stock and Mark W. Watson (2012), "Disentangling the Channels of the 2007–09 Recession," *Brookings Papers on Economic Activity* Spring 2012, pp. 81-130

Mark Gertler and Peter Karadi (2013), "Monetary Policy Surprises, Credit Costs, and Economic Activity,"

http://www.econ.nyu.edu/user/gertlerm/GertlerKaradi2013Oct3draftd-3.pdf

Ricardo Rigobon and Brian Sack (2004), "The Impact of Monetary Policy on Asset Prices," *Journal of Monetary Economics* 51, pp. 1553-1575

(*) Wright, Jonathan (2012), "What does Monetary Policy do to Long-term Interest Rates at the Zero Lower Bound?", *Economic Journal* 122, pp.F447-F466

Juan Rubio-Ramírez, Daniel F. Waggoner, and Tao Zha (2010), "Structural Vector Autoregressions: Theory of Identification and Algorithms for Inference," *Review of Economic Studies* 77, pp. 665-696

Christiane Baumeister and James D. Hamilton (2013), "Sign Restrictions, Structural Vector Autoregressions, and Useful Prior Information," http://dss.ucsd.edu/~jhamilto/bh1.pdf

M Jan 13: Models for large-dimensional dynamic vector systems

(*) James H. Stock, and Mark W. Watson (2010), "Dynamic Factor Models," *Oxford Handbook of Economic Forecasting*, Michael P. Clements and David F. Hendry (eds), Oxford University Press

Jushan Bai, and Serena Ng (2002), "Determining the number of factors in approximate factor models", *Econometrica* 70, pp. 191-221

Seung C. Ahn, and Alex R. Hornstein (2013), "Eigenvalue Ratio Test for the Number of Factors," *Econometrica* 81, pp. 1203-1227

James H. Stock, and Mark W. Watson (2002), "Forecasting Using Principal Components from a Large Number of Predictors," *Journal of the American Statistical Association* 97, pp. 1167–1179 Dominico Giannone, Lucrexzia Reichlin, and David Small (2008), "Nowcasting: The Real-Time Informational Content of Macroeconomic Data," *Journal of Monetary Economics* 55, pp. 665-676

(*) Ben S. Bernanke, Jean Boivin and Piotr. Eliasz (2005), "Measuring the Effects of Monetary Policy: A Factor-Augmented Vector Autoregressive (FAVAR) Approach", *Quarterly Journal of Economics* 120, pp. 387–422

Bryan Kelly and Seth Pruitt (2013), "The Three-Pass Regression Filter: A New Approach to Forecasting Using Many Predictors,"

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1868703

Hal R. Varian (2013), "Big Data: New Tricks for Econometrics," <u>http://people.ischool.berkeley.edu/~hal/Papers/2013/ml.pdf</u>

W Jan 15: Introduction to term structure of interest rates

(*) John Y. Campbell, Andrew W. Lo, and A. Craig MacKinlay (1997), *The Econometrics of Financial Markets*, Princeton University Press, Chapter 10

Glenn D. Rudebusch and Eric T. Swanson (2008), "Examining the Bond Premium Puzzle with a DSGE Model," *Journal of Monetary Economics* 55, pp. S111-S126

Refet S. Gürkaynak, Bryan Sack, and Eric T. Swanson (2005), "The Sensitivity of Long-Term Interest Rates to Economic News: Evidence and Implications for Macroeconomic Models," *American Economic Review* 95, pp. 425-436

M Jan 20: University holiday (no scheduled class)

W Jan 22: Affine and macro-finance term structure models

(*) Refet S. Gürkaynak and Jonathan H. Wright (2012), "Macroeconomics and the Term Structure," *Journal of Economic Literature* 50, pp. 331-367

James D. Hamilton and Jing Cynthia Wu (2012), "Identification and Estimation of Gaussian Affine Term Structure Models", *Journal of Econometrics* 168, pp. 315-331

Andrew Ang and Monika Piazzesi (2003), "A No-Arbitrage Vector

Autoregression of Term Structure Dynamics with Macroeconomic and Latent Variables," *Journal of Monetary Economics* 50, pp. 745-787

Gregory R. Duffee (2011), "Information in (and Not in) the Term Structure," *Review of Financial Studies* 24, pp. 2895-2934

Gregory R. Duffee (2011), "Forecasting with the Term Structure: The Role of No-Arbitrary Conditions,"

http://www.econ2.jhu.edu/People/duffee/duffeeNoArbJan2011.pdf

James D. Hamilton and Jing Cynthia Wu (2014), "Testable Implications of Affine-Term-Structure Models," *Journal of Econometrics* 178, pp. 231-242

M Jan 27: Interpreting affine term structure models

(*) Glenn D. Rudebusch (2010), "Macro-Finance Models of Interest Rates and the Economy," *Manchester School* Supplement 2010, pp. 25-52

John Y. Campbell, Carolin Pflueger, and Luis M. Viceira (2013), "Monetary Policy Drivers of Bond and Equity Risks,"

http://scholar.harvard.edu/files/campbell/files/bondrisks_all_20130823.pdf

Andrew Atkeson and Patrick J. Kehoe (2008), "On the Need for a New Approach to Analyzing Monetary Policy," *NBER Macroeconomics Annual*

W Jan 29: Monetary policy at the zero lower bound

James D. Hamilton (2013), "QE3 and Beyond,"

http://www.econbrowser.com/archives/2013/01/qe3_and_beyond.html

Gauti Eggertsson and Michael Woodford (2003), "The Zero Bound on Interest Rates and Optimal Monetary Policy," *Brookings Papers on Economic Activity* 2003:1, pp., 139-211

James D. Hamilton and Jing Cynthia Wu (2012), "The Effectiveness of Alternative Monetary Policy Tools in a Zero Lower Bound Environment," *Journal of Money, Credit, and Banking* 44, S3-S46

Jing Cynthia Wu and Fan Dora Xia (2013), "Measuring the Macroeconomic Impact of Monetary Policy at the Zero Lower Bound," http://econweb.ucsd.edu/~faxia/pdfs/JMP.pdf

(*) Arvind Krishnamurthy and Annette Vissing-Jorgensen (2011), "The Effects of Quantitative Easing on Interest Rates: Channels and Implications for Policy," *Brookings Papers on Economic Activity* 2011:1, pp. 215-265

M Feb 3 and W Feb 5: Macroeconomic consequences of oil price shocks

(*) James D. Hamilton (2009), "Causes and Consequences of the Oil Shock of 2007-2008", *Brookings Papers on Economic Activity*, Spring 2009, pp. 215-261.

(*) James D. Hamilton (2013), "Historical Oil Shocks," in Randall Parker and Robert Whaples eds., *Handbook of Major Events in Economic History*, Routledge.

(*) James D. Hamilton (2013), "Oil Prices, Exhaustible Resources, and Economic Growth," in Roger Fouqet, ed., *Handbook of Energy and Climate Change*, Edward Elgar Publishing

Detailed outline and supplementary reading list for the last two lectures can be found at <u>http://dss.ucsd.edu/~jhamilto/oil_shock_bibliography.pdf</u>