

Syllabus

This graduate seminar covers recent advances in selected areas of macroeconomics with an emphasis on papers linking empirical and theoretical work. Learning goals for the course, in order of importance, are:

- To become familiar with selected areas of modern macroeconomic literature.
- To add to research skills by replicating and/or extending a recent article.
- To improve research communication skills by presenting research and acting as a discussant on research by others.

A somewhat eclectic reading list is attached. (I will entertain requests for additions.)

Grading

Grades are roughly one third each on the group project, class presentations of articles from the reading list, and the individual replication (and associated tasks, see *Course Requirements*, below).

Course requirements

The first requirement is a group project to replicate and extend an article. We will use some of the class time as “lab meetings,” where participants will brief each other on the work they’ve done recently. I will kibitz. The finished group project is due about in the middle of the course. For 2008, we’ll choose a paper based on the group’s interests.

The second requirement is to present several articles on the reading list to the class. The objective is to *teach* the articles. You must turn in to me a set of lecture notes no later than the **beginning of the class** you teach.

The third requirement is to, as an individual, replicate and extend an article. This requirement has several pieces.

1. Teach your chosen article to the class
2. The second piece is a class presentation of your research paper. You will have 40 minutes to present your work. Your discussant (see below) will then have 20 minutes to discuss your work. The remaining time will be a class discussion. You are *required* to have a rough draft of the paper prepared **one week in advance** of your class session and delivered to your discussant, editor (see below), and me.
3. You will act as discussant for a classmate’s paper presentation. You will discuss the paper for 20 minutes, acting as a paper discussant would at a professional meeting. It is good to point out errors and acceptable to point out shortcomings, but the emphasis should be on constructive criticism. Are there practical ways to improve the work? You should turn in a set of notes for your discussion to me no later than the **beginning of the class** in which you act as a discussant. (Since these are notes to guide your discussion, it’s okay if they’re a little rough.)

4. The last piece is to act as an editor for the rough draft of someone's paper. You are to edit the paper, pointing out any technical grammatical errors but emphasizing ways to improve the language in ways that make the writing easier to understand. If possible, make suggestions on the overall flow of the paper. The marked up copy of the draft to be returned to the author and a Xerox of the marked up copy for me to keep are due no later than the **beginning of the class** at which the paper is presented.
5. Turn in the replicated/extended paper. The paper will be graded on both content and communication skills. I expect a product that reads like journal article. The presentation will be clear and the English will be perfect. There will be a clearly stated question and a well-exposed answer.

In summary, you have to teach an article, write and present a paper, act as a discussant for one student and act as an editor for another student. The grade will depend on all these activities as well as class participation, with the largest element of the grade being the final paper. Your classmates and I will be relying on you and I *will* deduct points for work turned in late for any reason.

The final version of the paper is due on the **FIRST day of exam week**. Extensions are automatically available – it's just that they cost one-tenth of a grade point per week or part thereof. So a paper one day late costs 0.1 from the paper grade, a paper 8 days late costs 0.2 from the paper grade, and so forth. If you think your hard disk might die the paper is due, perhaps you should plan on turning it in early. (In other words, I don't anticipate anyone turning in a late paper.)

Readings

(Most of these readings are available online through the UW library, JSTOR, the NBER web site or the authors' web sites. In some cases final versions of working papers have now been published.)

Orazio Attanasio and Margherita Borella, "Stochastic Components of Individual Consumption: A Time Series Analysis of Grouped Data," NBER Working Paper No. W12456.

Laurence Ball and N. Gregory Mankiw, "The NAIRU in Theory and Practice," *Journal of Economic Perspectives* 16, Fall 2002, 115-136.

Gadi Barlevy, "The Sullyng Effect of Recessions," *The Review of Economic Studies*, Vol. 69, pp. 65-96, 2002.

Robert Barro and David Gordon, "A Positive Theory of Monetary Policy in a Natural Rate Model," *Journal of Political Economy*, 91:4, PP 589-610, 1983.

Susanto Basu, John Fernald, and Miles Kimball, "Are Technology Improvements Contractionary?" NBER Working Paper No. W10592.

Olivier Blanchard and Jordi Gali, "A New Keynesian Model with Unemployment," MIT Department of Economics Working Paper No. 06-22.

MICHAEL D. BORDO and JOSEPH G. HAUBRICH, "Forecasting With the Yield Curve; Level, Slope, and Output 1875-1997," FRB of Cleveland Working Paper No. 06-11, <http://ssrn.com/abstract=939772>

Markus Brunnermeir and Jonathan Parker, "Optimal Expectations," NBER Working Paper No. W10707.

VALERIE CERRA and SWETA C. SAXENA, "Growth Dynamics: The Myth of Economic Recovery," BIS Working Paper No. 226, <http://ssrn.com/abstract=1013572>

Diego Comin and Mark Gertler, "Medium-Term Business Cycles," *AER*, June 2006.

Christensen, J.H.E., Diebold, F.X. and Rudebusch, G.D. (2007), "The Affine Arbitrage-Free Class of Nelson-Siegel Term Structure Models," Manuscript, Federal Reserve Bank of San Francisco and University of Pennsylvania, <http://www.ssc.upenn.edu/~fdiebold/papers/paper78/cdr.pdf>

F. Diebold and C. Li, (2006), "Forecasting the Term Structure of Government Bond Yields," *Journal of Econometrics*, 130, 337-364.

F. Diebold, G. Rudebusch, and S. Aruoba, "The Macroeconomy and the Yield Curve: A Dynamic Latent Factor Approach," *Journal of Econometrics*, 131, 309-338, (2006).

- Charles Engel, "Some New Variance Bounds for Asset Prices," *JMCB*, October 2005.
- E. Fama and R. Bliss, "The Information in Long-Maturity Forward Rates," *American Economic Review*, 77, 680-692, 1987.
- Jeffrey Fuhrer and Glenn Rudebusch, "Estimating the Euler Equation for Output," *JME*, September 2004.
- Oded Galor, "From Stagnation to Growth: Unified Growth Theory," Minerva Center for Economic Growth Working Paper No. 2004-1, Brown University.
- Pierre-Olivier Gourinchas and Jonathan A. Parker, "Consumption Over the Life Cycle" *Econometrica*, 70(1), January 2002, 47-89
- Robert Hall and Charles Jones, "Why Do Some Countries Produce So Much More Output Per Worker Than Others," *Quarterly Journal of Economics*, pp 83-116, February 1999.
- Charles Jones, "Was an Industrial Revolution Inevitable? Economic Growth Over the Very Long Run," *Advances in Macroeconomics*: Vol. 1: No. 2, Article 1.
<http://www.bepress.com/bejm/advances/vol1/iss2/art1>
- NIR JAIMOVICH and SERGIO T. REBELO, "Behavioural Theories of the Business Cycle," CEPR Discussion Paper No. 5909, <http://ssrn.com/abstract=954135>
- N. GREGORY MANKIW, "The Macroeconomist as Scientist and Engineer," NBER Working Paper No. W12349 <http://ssrn.com/author=20360>
- PAOLA MANZINI and MARCO MARIOTTI, "Choice Over Time, " IZA Discussion Paper No. 2993, <http://ssrn.com/abstract=1012547>
- James C. Morley, Charles Nelson and Eric Zivot, "Why Are Beveridge-Nelson and Unobserved-Component Decompositions of GDP So Different?" with, *Review of Economics and Statistics*, 85:2, May 2003, 235-43.
- Jonathan Parker and Bruce Preston, "Precautionary Saving and Consumption Fluctuations, *AER*, September 2005.
- Sergio Rebelo, "Real Business Cycle Models: Past, Present, and Future," NBER Working Paper No. W1140.
- Ken Rogoff, "The Optimal Degree of Commitment to an Intermediate Monetary Target," *Quarterly Journal of Economics*, 100:4, pp 1169-1189, 1985.
- Lucio Sarno, Daniel Thornton, and Giorgio Valente, "The Empirical Failure of the Expectations Hypothesis of the Term Structure of Bond Yields," http://papers.ssrn.com/paper.taf?abstract_id=840809 Paper ID: CEPR Discussion Paper No. 5259 Date: September 2005

ROBERT J. SHILLER, "Ultimate Sources of Aggregate Variability," NBER Working Paper No. W2129, <http://ssrn.com/abstract=971614>

Andrew F. Siegel and Charles Nelson, "Parsimonious Modeling of Yield Curves," *Journal of Business*, vol. 60 no. 4, October, 1987, pp. 473-489.

Douglas Staiger, James H. Stock, Mark W. Watson, 1997, "How Precise are Estimates of the Natural Rate of Unemployment?," in *Reducing Inflation*, edited by Christina D. Romer and David H. Romer, University of Chicago Press, also NBER WP 5477.

Douglas Staiger, James H. Stock, Mark W. Watson, "Prices, Wages and the U.S. NAIRU in the 1990s," NBER Working Paper No. W8320, June 2001.

Daniel Thornton, "Tests of the Expectation Hypothesis: Resolving the Campbell-Shiller paradox," *JMBCB*, March 2006.

Journal of Economic Perspectives, Summer 2001, Symposia on Consumption Behavior, including:

The Life-Cycle Model of Consumption and Saving, pp. 3-22

Martin Browning; Thomas F. Crossley

A Theory of the Consumption Function, with and without Liquidity Constraints, pp. 23-45

Christopher D. Carroll

The Hyperbolic Consumption Model: Calibration, Simulation, and Empirical Evaluation, pp. 47-68

George-Marios Angeletos; David Laibson; Andrea Repetto; Jeremy Tobacman; Stephen Weinberg

Journal of Monetary Economics September 2005 theme issue on "The Econometrics of the New Keynesian Price Equation," including:

The econometrics of the New Keynesian price equation

Pages 1059-1060

Robert G. King and Charles I. Plosser

An open-economy new Keynesian Phillips curve for the U.K.

Pages 1061-1071

Nicoletta Batini, Brian Jackson and Stephen Nickell

Habit formation and the persistence of monetary shocks

Pages 1073-1088

Hafedh Bouakez, Emanuela Cardia and Francisco J. Ruge-Murcia

Demand and productivity components of business cycles: Estimates and implications

Pages 1089-1105

Frédéric Dufourt

Robustness of the estimates of the hybrid New Keynesian Phillips curve

Pages 1107-1118

Jordi Galí, Mark Gertler and J. David López-Salido Quantifying the uncertainty about the fit of a new Keynesian pricing model

Pages 1119-1134

André Kurmann

Estimating New-Keynesian Phillips curves: A full information maximum likelihood approach

Pages 1135-1149

Jesper Lindé Comparing New Keynesian models of the business cycle: A Bayesian approach

Pages 1151-1166

Pau Rabanal and Juan F. Rubio-Ramírez New tests of the new-Keynesian Phillips curve

Pages 1167-1181

Jeremy Rudd and Karl Whelan

Do expected future marginal costs drive inflation dynamics?

Pages 1183-1197

Argia M. Sbordone