OUTLINE AND OBJECTIVE OF THE COURSE

This is a first course in advanced macroeconomics. In your first-year classes you learned about some of the basic modeling techniques. In this class, we go over two major paradigms in modern macroeconomics: the Neoclassical (Real Business Cycle) and the New Keynesian. In doing so we go through the historical progression of ideas that lead to the current state of the literature. We also touch upon models with frictions – those in the labor market and in financial markets. About half of the course is devoted to substance. Not all the papers we cover are on the frontier of research, and this is intentional. We need to understand where we came from. The other half of the course is devoted to computational techniques. We cover many tools that help macroeconomists build, solve and take their model to the data.
TEXTBOOKS AND OTHER READING MATERIAL

Most of the course will be based on articles, which are listed on the course outline and these will be available electronically.

I do not require you to purchase any particular book for this course. The following books are recommended:


These two are a must-have for any macroeconomist so we assume you already have them.


These four books are very useful for the topic they cover. We may briefly refer to them. You may want to buy a subset of them depending on your interests.

PREREQUISITES

ECON 601 and ECON 602. Students who have not taken these courses and/or students from other departments must talk to us before taking this course.

AUDITING POLICY

Students who have officially taken ECON 701 before or otherwise cannot take it for credit, are welcome to audit this course subject to my approval and they must talk to me.
DROPBOX

All students need to create a Dropbox account. It is free and will be essential for sending files back and forth.

GRADING

Computational Problem Sets (25%)

Throughout the course I will assign four computational problem sets. You will have about a week to work on each of these. You will work in groups of two that will rotate. These problem sets will require you to write codes in MATLAB and/or work with Eviews, both of which are installed on the department’s network and available in the computer lab. In addition to turning in a nicely-formatted description of your findings with all the necessary tables and figures (preparing documents that are neat and easy to read is a necessary condition to being a good researcher), you will need to upload all to Dropbox.

Below are the key dates for problem sets. You will have between 7 to 14 days to work on these problem sets, depending on their difficulty. No extensions will be given. The time it may take you to complete these problem sets is a stochastic variable which cannot be predicted beforehand. As such, I suggest you start working on them as soon as they are assigned.

Problem Set 1: Assigned on 9/14. Due on 9/21 by 5 pm via email.

Problem Set 2: Assigned on 9/21. Due on 9/30 by 5 pm via email.

Problem Set 3: Assigned on 9/30. Due on 10/14 by 5 pm via email.

Problem Set 4: Assigned on 10/26. Due on 11/9 by 5 pm via email.

Paper Summaries (20%)

You need to carefully read and summarize the findings of four papers. These papers are marked in the reading list below. Your summaries need to be nicely formatted and should be no longer than 2 pages. You need to provide not just a pure summary of the paper but also a critical one. Your summaries are due by email one week after the respective lecture is covered in class. I will not be announcing these deadlines and it's your responsibility to keep track of them.

Proposal (15%)

You need to write a paper proposal. More details will be provided in due time.
**Project (40%)**

The final project will be substantially longer than a problem set and will involve replicating the results of a published paper. The project will have two explicit deadlines, one for producing intermediate results and a final deadline which is January 24, 2016, Sunday at 5 pm. No late submissions will be accepted. More details will be provided in due time.

**POLICIES AND IMPORTANT NOTES**

- Unless previously announced, the class will meet on all Mondays and Wednesdays the university is officially open.

- Our primary mean for communication outside the classroom is email. I will try to respond to your emails in a timely fashion. We will maintain an email list of all students and may use this list for relaying important information. Please check your email regularly.
READING LIST

Papers with (*) are required readings and you are expected to read them **before** the related lecture. Papers with (#) are papers for the “Paper Summaries” requirement of the course. The others are optional. All papers are available on Dropbox. Follow this link:

http://tinyurl.com/econ701-Fall2015

**Don’t print all these papers immediately.** As we progress, it will become clear which ones you will study in greater detail.

**Lecture 1 – Introduction**


**Lecture 2 – The RBC Model – What is It?**


**Lecture 3 – Calibration**


**Lecture 4 – Basic Numerical Methods**

Chapters 1, 2, 5, and 7.7 in Judd (1998). [If you need a reference]

Chapter 3 in Adda and Cooper (2003). [If you need a reference]


**Lecture 5 – Local Approximation Methods and Dynare**

Dynare User Guide by Tommaso Mancini Griffoli.


**Lecture 6 – Global Approximation Methods**


Lecture 7 – Comparison of Methods


Lecture 8 – VARs / Structural VARs


(*) Uhlig, Harald (2005), “What are the effects of monetary policy on output? Results from an agnostic identification procedure,” Journal of Monetary Economics, 52, 381-419

Lecture 9 – Criticism of the RBC Model


Lecture 10 – New Keynesian Model – What Is It?


**Lecture 14 – Estimation of DSGE Models (Linear)**


**Lecture 15 – Estimation of DSGE Models (Nonlinear)**


**Lecture 16 – Calibration vs. Estimation**


Lecture 17 – Criticism of the New Keynesian Model


Lecture 18 – Search Models of the Labor Market


Lecture 19 – Models with Financial Frictions


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