

Boston College
Department of Economics
Advanced Macroeconomics: EC803
(Fall 1999)

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Office Hours : Tuesday and Thursday 10:30-11:45pm

This is a course on empirical methods. Part I focuses on the time series techniques in macroeconomic analysis. Part II considers numerical solutions to non-linear, dynamic models. Students will be required to use either Gauss or Matlab to solve macroeconomic models. The tentative plan is to spend the remaining on empirical issues in international finance.

Evaluation

2 Problem Sets 40%

Class Participation 10%

Take Home Exam (Due Dec 14th) 50%

Part I: Macroeconometrics

Methods of Detrending

King, R. G. and S. Rebelo, "Low Frequency Filtering and Real Business Cycles", 1993, Journal of Economic Dynamics and Control, 17:1, 207-231.

Baxter, M. and King, R. G. "Measuring Business Cycles Approximate Band-Pass Filters for Economic Time Series", 1995, NBER WP 5022.

Canova, F., "Detrending and Business Cycle Facts", 1998, *Journal of Monetary Economics*, 41:3, 475-512.

Kalman Filter and State Space Models

Harvey, A. C., "Time Series Models", Chapter 4. MIT Press, 1993.

Stylized Facts:

Nelson, C. and C. Plosser, "Trends and Random Walks in Macroeconomic Time Series", *Journal of Monetary Economics*, 10, 139-162.

Kydland F. and E. Prescott, "Real Facts and a Monetary Myth", 1990, *Federal Reserve Bank of Minneapolis Quarterly Review*, 14:3-18.

"Frontiers of Business Cycle Research", 1995, T. Cooley Editor, Princeton University Press, Chapter 1.

King, R. G. and M. W. Watson, "Money, Interest Rates and the Business Cycle", *Review of Economics and Statistics*, 1996, p. 35-53.

Stock, J. and M. W. Watson, "Business Cycle Fluctuations in U.S. Macroeconomic Time Series", 1998, NBER WP 6528.

Part II: Numerical Methods:

General Equilibrium Models (of sticky prices):

Blanchard, O. and C Kahn, (1980), "The Solution of Linear Difference Models Under Rational Expectations", *Econometrica*, 48:5, 1305-1311.

Uhlig, H. "A Toolkit for Analyzing Nonlinear Dynamic Stochastic Models Easily", *Federal Reserve Bank of Minneapolis Discussion Paper* 101.

McMallum, B. "Solutions to Linear Rational Expectations Models: A Compact Exposition", NBER Technical WP 232.

King, R. G. and M. W. Watson (1997), "System Reduction and Solution Algorithms for Singular Linear Difference Systems Under Rational Expectations", mimeo, Princeton University.

Klein, P. (1998), "Using the Generalized Schur Form to solve a System of Linear Expectational Difference Equations", mimeo, Stockholm University.

Sims, C. (1997), "Solving Linear Rational Expectations Models", mimeo, Yale University.

Yun, T. (1996), "Nominal Price Rigidity, Money Supply Endogeneity and Business Cycles", JME, 345-379.

Kim, J. (1998), "Monetary Policy in a Stochastic Equilibrium Model with Real and Nominal Rigidities", Board of Governors DP 9802.

Woodford, M (1996), "Control of the Public Debt", NBER 5684.

King, R. and A. Wolman, (1998), "What should Monetary Policy do when Prices are Sticky", UVA Discussion Paper.

Partial Equilibrium Models (of consumption):

Deaton, A. S. (1991), "Saving and Liquidity Constraints", Econometrica 59, 1221-48.

Deaton, A. S. and G. Laroque (1995), "Estimating a Non-linear Rational Expectations Commodity Price Model with Unobservable State Variables", Journal of Applied Econometrics, 10, S9-S40.

Den Haan, W. J. and Marcet, A. (1995), "Solving Stochastic Growth Model By Parameterizing Expectations", Journal of Business and Economic Statistics, 8, 31-34.

Part III: Exchange Rate Analysis