

Boston College  
Department of Economics  
Advance Macroeconomics : EC803  
(Fall 1998)

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Office Hours : Tuesday and Thursday 9:00-10:30pm

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This is a course on empirical macroeconomics. Part I looks at the stylized facts of macroeconomic data, introduces some macroeconometric tools for analyzing time series data, and discusses numerical techniques to solve dynamic expectational equations equilibrium models of business cycles. Part II is based chapters from the forthcoming Handbook of Macroeconomics.

### **1 Evaluation**

3 Problem Sets	60%
Take Home Exam (Due Dec 15 <sup>th</sup> )	40%

The course will take a hands-on approach. The problem sets will involve programming in Gauss or Matlab.

### **Part I: Numerical Macroeconomics**

#### **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.

#### **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.

### **Dynamic Equilibrium Models of Business Cycles**

Cooley, T. F. and Hansen, G. D., "Money and the Business Cycle", in *Frontiers of Business Cycle Research*, Thomas F. Cooley, editor.

Hansen, G. D. (1985), Indivisible Labor and The Business Cycle, *Journal of Monetary Economics* **16**, pp. 309 - 327.

Goodfriend, M. and R. King, "The Neoclassical Synthesis and the Role of Monetary Policy", NBER Macroeconomic Annual 1997.

### **Numerical Methods:**

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

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.

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

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

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.

### **Part II: Chapters in Handbook of Macroeconomics**

Campbell, J., "Asset Prices, Consumption, and the Business Cycles", 1998, NBER WP 6485.

Attanasio, O., "Consumption Demand", 1998, NBER WP 6466.

Hall, R., "Labor-market Frictions and Employment Fluctuations", NBER 6501.