

MACROECONOMIC ANALYSIS I
COURSE OUTLINE AND READING LIST

1. The Neoclassical Growth Model: Revisited using Recursive Methods

Lecture Notes 1

Readings:

Stokey, Nancy, Robert E. Lucas Jr., and Edward C. Prescott (1989), *Recursive Methods in Economic Dynamics*.

2. Business Cycle Facts

Lecture Notes 2 (Slides)

Readings:

Stock, James, and Mark Watson (1998), "Business Cycle Fluctuations in U.S. Macroeconomic Time Series", NBER Working Paper 6528, also published in J. Taylor and M. Woodford eds., *Handbook of Macroeconomics*, vol 1A, 1999.

King, Robert and Sergio Rebelo (2000), "Resuscitating Real Business Cycles", NBER Working Paper 7534, also published in J. Taylor and M. Woodford eds., *Handbook of Macroeconomics*, vol. 1B, 2000.

3. The Real Business Cycle (RBC) Model

Lecture Notes 3

Readings:

Cooley, Thomas F., and Edward C. Prescott (1995), "Economic Growth and Business Cycles," in T.F. Cooley, ed, *Frontiers of Business Cycle Research*, Princeton University Press. Chapter 1.

Prescott, Edward C. (1986), "Theory Ahead of Business Cycle Measurement", *Quarterly Review*, Federal Reserve Bank of Minneapolis.

4. Calibration & Evaluation of the RBC

Lecture Notes 4 (Slides)

Readings:

Cooley, Thomas F., and Edward C. Prescott (1995), "Economic Growth and Business Cycles," in T.F. Cooley, ed, *Frontiers of Business Cycle Research*, Princeton University Press. Chapter 1.

Prescott, Edward C. (1986), "Theory Ahead of Business Cycle Measurement", *Quarterly Review*, Federal Reserve Bank of Minneapolis.

Stokey, Nancy, Robert E. Lucas Jr., and Edward C. Prescott (1989), *Recursive Methods in Economic Dynamics*.

5. Intuition for the RBC

Lecture Notes 5

6. Early Extensions of the RBC Model

Lecture Notes 6

Readings:

King, Robert and Sergio Rebelo (2000), "Resuscitating Real Business Cycles", NBER Working Paper 7534 [also published in J. Taylor and M. Woodford eds., *Handbook of Macroeconomics*, vol. 1B, 2000]

Kydland, Finn E., and Edward C. Prescott (1982), "Time to Build and Aggregate Fluctuations," *Econometrica* 50, 1345-1370.

Kydland, Finn E. (1995), "Business Cycles and Aggregate Labor Market Fluctuations," in T.F. Cooley, ed, *Frontiers of Business Cycle Research*, Princeton University Press. Chapter 5.

Hansen, Gary (1985), "Indivisible Labor and the Business Cycle," *Journal of Monetary Economics* 16, 309-327.

Rogerson, Richard (1988), "Indivisible Labor, Lotteries and Equilibrium," *Journal of Monetary Economics* 21.

Susanto Basu & Miles S. Kimball, 1997. "Cyclical Productivity with Unobserved Input Variation," NBER Working Papers 5915, National Bureau of Economic Research, Inc.

Burnside, C., Martin Eichenbaum, and Sergio Rebelo (1995), "Capital Utilization and Returns to Scale," *NBER Macroeconomics Annual* 1995.

7. Complete (Arrow-Debreu) Markets

Lecture Notes 7

Readings:

Ljungqvist, Lars and Thomas J. Sargent. *Recursive Macroeconomic Theory*. Print. Chapter 8.
Mas-Collell, Whinston, and Green. *Microeconomic Theory*. Print.

8. Aggregation, Asset Pricing, and the Consumption CAPM

Lecture Notes 8

Readings:

Cochrane, John H (2005). *Asset Pricing*. Princeton, NJ: Princeton University Press. Print.

Ljungqvist, Lars and Thomas J. Sargent. *Recursive Macroeconomic Theory*. Print. Chapter 8.

Leroy, Stephen F. and Jan Werner (2000), *Principles of Financial Economics*. Cambridge: Cambridge University Press. Print.

Cochrane, John H. and Lars Peter Hansen (1992), "Asset Pricing Explorations for Macroeconomics," NBER Chapters, in: *NBER Macroeconomics Annual 1992*, Volume 7, pages 115-182.

Mehra, Rajnish, Edward C. Prescott (1985). "The Equity Premium: A Puzzle," *Journal of Monetary Economics*, 15(2), 145-161.

Kocherlakota, Narayana R. (1996). "The Equity Premium: It's Still a Puzzle," *Journal of Economic Literature*, 34 (1), 42-71.

9. The Welfare Cost of Business Cycles

Lecture Notes 9

Readings:

Cochrane, John H (2005). *Asset Pricing*. Princeton, NJ: Princeton University Press. Print.

Ljungqvist, Lars and Thomas J. Sargent. *Recursive Macroeconomic Theory*. Print. Chapter 4 and Chapter 8.

Alvarez, Fernando, and Urban J. Jermann (2004), "Using Asset Prices to Measure the Cost of Business Cycles," *Journal of Political Economy*, 112(6), pp. 1223-56.

Lucas, Robert E., Jr. (1987), *Models of Business Cycles*, Basil Blackwell, New York.

Lucas, Robert E., Jr. (2003), "Macroeconomic Priorities," *American Economic Review* 93, 1-14. Lustig, Hanno (2000), "Secured Lending and Asset Prices." Mimeo. Department of Economics, Stanford University.

Hansen, Lars P., Thomas J. Sargent, and Thomas D. Tallarini, Jr (1999), "Robust Permanent Income and Pricing." *Review of Economic Studies*, Vol. 66(4), pp. 873--907.

10. Incomplete Markets, Self-Insurance, and Precautionary Savings

Lecture Notes 10

Readings:

Ljungqvist, Lars and Thomas J. Sargent. *Recursive Macroeconomic Theory*. Print. Chapters 16-17.

11. Heterogeneous Agent Models

Lecture Notes 11

Readings:

Ljungqvist, Lars and Thomas J. Sargent. *Recursive Macroeconomic Theory*. Print. Chapters 16-17.