

ECON 263A
Advanced Macroeconomics
Fall 2008

Professor: Fabio Milani, fmilani@uci.edu

Office Hours: SSPA 3145, Th 3-5PM

Time and Location: Tu-Th 11.00AM-12.20PM

Course Webpage: <http://www.socsci.uci.edu/~fmilani/econ263a.html>

Grading:

Assignments	10%
Referee Report	10%
In-Class Presentation	10%
Paper Comments	10%
Paper	60%

Course description:

In the course, we will first focus on the derivation and estimation of state-of-the-art DSGE models, with particular emphasis on models useful for monetary policy.

You will learn:

- to build macroeconomic models with microeconomic foundations.
- to solve rational expectations models.
- to estimate macroeconomic models using Bayesian methods.

We will then discuss a variety of topics that can hopefully give you ideas about your own future research.

Textbook: There is no single textbook required.

We won't follow a particular book, but some of these can serve as reference if you are interested in macro

- **Woodford**, *Interest and Prices*
- **Gali'**, *Monetary Policy, Inflation, and the Business Cycle*
- **Walsh**, *Monetary Theory and Policy*
- **Obstfeld and Rogoff**, *Foundations of International Macroeconomics*

- **Heer and Maussner**, *Dynamic General Equilibrium Modelling: Computational Methods and Applications*
- **Fernandez-Villaverde and Rubio-Ramirez**, *Methods in Macroeconomic Dynamics*, available at <http://www.econ.upenn.edu/~jesusfv/teaching.html>

For the econometrics used in the course, these books might be useful:

- Frank Schorfheide, *Lecture Notes for Estimation and Evaluation of DSGE Models*, available at <http://www.econ.upenn.edu/~schorf/papers/dsge%20estim-eval.zip>
- **Gary Koop**, *Bayesian Econometrics*
- **Fabio Canova**, *Methods for Applied Macroeconomic Research*
- **John Geweke**, *Contemporary Bayesian Econometrics and Statistics*.
- **Dave and DeJong**, *Structural Macroeconometrics*

Referee Report

You will need to write a referee report on one of the papers listed on the course webpage. I have chosen job market papers by students in macroeconomics in different departments. Instructions on how to write a referee report are also available there. Deadline: .

In-Class Presentation

- There will be an in-class presentation on one of the following (we can decide):
- your idea for the paper (present literature, what is missing, your idea, how you plan to proceed, etc.)
 - paper at an early stage
 - one topic from the syllabus

Paper Comments

For each topic in the syllabus, we'll discuss several papers. You will be required to write one brief comment (1 page) on a paper of your choice for each topic. In the comment you should summarize the paper, single out its major contribution, develop constructive criticism, and propose one possible extension of the paper that can be researched further.

Paper

In the course, you will write a paper, which will count for 70% of your final grade. The paper can consist of:

- an estimation of a macroeconomic model of your choice using Bayesian methods to study a particular research question. The paper can focus on each of the topics studied in the course (or mentioned in the syllabus), or another macroeconomic topic of your choice;

- any paper in which you explore a research idea related to one of the Topics section listed on the website (there you will also find a collection of relevant papers). In the paper, discuss the literature, describe the question you wish to answer, the methods you want to use, and go as far as you can in answering the question.

In both cases, we need to discuss the topic before you start working on it. I will provide some possible ideas at the beginning of the course.

Topics (the course webpage will provide links to the readings)

1. State of Macroeconomics/ Macroeconomics Controversies (Introduction)

Gali', [The New Keynesian Approach to Monetary Policy Analysis: Lessons and New Directions](#)

Woodford, [Convergence in Macroeconomics](#)

Woodford, [Revolution and Evolution in Twentieth-Century Macroeconomics](#)

Gali' and Gertler, [Macroeconomic Modeling for Monetary Policy Evaluation](#)

Lucas, [Macroeconomic Priorities](#)

Chari, Kehoe, and McGrattan, [New Keynesian Models: Not Yet Useful for Policy Analysis](#)

Chari, Kehoe, and McGrattan, [On the Need for a New Approach to Analyzing Monetary Policy](#)

Shimer, [Convergence in Macroeconomics: The Labor Wedge](#)

- 2. Estimation of DSGE models: New Keynesian/Sticky Price, Open Economy, and RBC models. The sources of Business Cycle fluctuations. The role of technology, monetary policy, demand shocks. 'News' shocks as drivers of the BC.**
- 3. Expectations: Rational Expectations and Adaptive Learning (+ some survey and experimental evidence on expectations formation)**
- 4. Macro Finance: interaction between Financial Markets and the Macroeconomy. Asset Prices, Yield curve, Housing, and the Macroeconomy. Financial Accelerator Models. Credit frictions.**
- 5. Post-war Stabilization Policy: Monetary and Fiscal Policy Interactions and their role on the rise and fall of inflation and the Great Moderation**
- 6. The Role of Labor Markets in Macroeconomics**