

Topics in Macroeconomics

Eight Ninety-Minute Lectures

Description: This is a course in Advanced Macroeconomics. It consists of eight ninety-minute lectures and is divided in three parts: The first part, of about two lectures in length, will be devoted to studying the identification, estimation, and propagation of news shocks. The second part, of about 3 lectures in length, will be concerned with the macroeconomic effects of government spending shocks. Special attention will be placed on the role of this type of shock as a mean to discriminate across theoretical models of the business cycle. The third part, of about 4 lectures in length, will focus on pricing to habits and its implications for the national and international transmission of aggregate disturbances.

Part 1: News Shocks

- Topics to be Discussed:

Identification and Estimation of News Shocks Using VAR models

Identification and Estimation of News Shocks Using DSGE models and Bayesian Methods

Assesing the Contribution of News Shocks to Business Cycles

The Pure Anticipation Effect

- Material to be Discussed in Class:

Schmitt-Grohé, Stephanie and Martín Uribe. “What’s News in Business Cycles?.” manuscript, Duke University, June, 2008.

Beaudry, Paul, and Franck Portier. “Stock Prices, News, and Economic Fluctuations.” *American Economic Review* 96 (September 2006): 1293-1307.

Jaimovich, Nir, and Sergio Rebelo. “Can News About the Future Drive the Business Cycle?.” manuscript, April 2008.

Part 2: Government Spending Shocks

- Topics to be Discussed:

Identification and Estimation of Government Shocks Using VAR models

Identification and Estimation of Government Spending Shocks Using War Dummies

Theoretical Models I: Sticky Prices

Theoretical Models II: Special Preference Specificaitons

Theoretical Models III: Rule-of-Thumb Consumers, Sticky Prices, and Labor-Market Imperfections.

Theoretical Models IV: Deep Habits.

- Material to be Discussed in Class:

Ravn, Morten O., Stephanie Schmitt-Grohé, and Martín Uribe. “Explaining the Effects of Government Spending Shocks on Consumption and the Real Exchange Rate.” manuscript, Duke University, 2007.

- Perotti, Roberto. “In search of the transmission mechanism for fiscal policy.” manuscript, IGER, Università Bocconi, March 2007. forthcoming *NBER Macroeconomics Annual 2007*.
- Ramey, Valerie. “Identifying Government Spending Shocks: It’s All in the Timing.” mimeo, University of California, San Diego, July 2006.
- Galí, Jordi, David López-Salido, and Javier Vallés. “Understanding the Effects of Government Spending on Consumption.” *Journal of the European Economic Association* 5 (March 2007): 227-270.
- Linnemann, Ludger. “The Effect of Government Spending on Private Consumption: A Puzzle? .” *Journal of Money, Credit, and Banking* 38 (October 2006): 1715-1736.
- Monacelli, Tommaso and Roberto Perotti. “Fiscal Policy, the Trade Balance, and the Real Exchange Rate: Implications for International Risk Sharing.” manuscript, IGER, Università Bocconi, June 2006.

Part 3: Deep Habits

- Topics to be Discussed:

Good-Specific Habit Formation

Markup Dynamics

Macroeconomic Implications I: The Domestic Transmission of Government Spending Shocks.

Macroeconomic Implications II: The International Transmission of Government Spending Shocks.

Microeconomic Implications I: Good-Specific Deviations from the Law of One Price.

Microeconomic Implications II: Imperfect Pass Through of Cost Shocks.

- Material to be Discussed in Class:

Ravn, Morten O., Stephanie Schmitt-Grohé, and Martín Uribe. “Deep Habits.” *Review of Economic Studies* 73 (January 2006): 195-218.

Schmitt-Grohé, Stephanie, and Martín Uribe, “Habit Persistence,” *The New Palgrave Dictionary of Economics*, second Edition, edited by S. Durlauf and L. Blume, forthcoming.

Ravn, Morten O., Stephanie Schmitt-Grohé, and Martín Uribe, The Macroeconomics of Subsistence Points, *Macroeconomic Dynamics*, forthcoming.

Ravn, Morten, Stephanie Schmitt-Grohé, and Martín Uribe. “Deep Habits and Sticky Prices: A Technical Note.” manuscript, Duke University.

Ravn, Morten O., Stephanie Schmitt-Grohé, and Martín Uribe. “Pricing to Habits and the Law of One Price.” *American Economic Review, Papers and Proceedings* 97 (May 2007): 232-238.

Ravn, Morten O., Stephanie Schmitt-Grohé, and Martín Uribe. “Explaining the Effects of Government Spending Shocks on Consumption and the Real Exchange Rate.” manuscript, Duke University, June 2007.

Ravn, Morten O., Stephanie Schmitt-Grohé, and Martín Uribe. “Incomplete Cost Pass-Through Under Deep Habits.” manuscript, Duke University, February 2007.