

Macroeconomic II (Ph.D.)

Mohammad H. Rahmati- Sharif University

Grading:

- Midterm 1: 25% (We will have an exam in two weeks. It will be two questions on dynamic programming on my homework and past (comp.) exams for Macro I)
- Midterm 2: 25% (End of labor topic, the exam will be after long weekend)
- Final: 50% (Covers all topics in both courses)

I. Macroeconomic Growth (Endogenous growth, creative destruction, Misallocation, diffusion)

- Romer, Paul M., (1986), "Increasing Returns and Long Run Growth," *Journal of Political Economy*, 94, 1002-1037.
- Romer, Paul M., (1987), "Growth Based on Increasing Returns Due to Specialization," *American Economic Review*, 77, 56-62.
- * Romer, Paul M. "Endogenous technological change." *Journal of political Economy* 98.5, Part 2 (1990): S71-S102.
- Matsuyama, Kiminori. "Growing through cycles." *Econometrica* 67.2 (1999): 335-347.
- Klette, Tor Jakob and Samuel S. Kortum (2004), "Innovating Firms and Aggregate Innovation" *Journal of Political Economy* 112: 986-1018.
- Kortum, Samuel S. (1997), "Research, Patenting, and Technological Change" *Econometrica* 65: 1389-1419.
- Bloom, Nicholas, Charles I. Jones, John Van Reenen, and Michael Webb (2017), "Are Ideas Getting Harder to Find?" Working paper
- Broda, Christian and David Weinstein (2006), "Globalization and the Gains from Variety" *Quarterly Journal of Economics* 121: 541-585.
- Hottman, Colin, Stephen Redding, and David Weinstein (2016), "Quantifying the Sources of Firm Heterogeneity" *Quarterly Journal of Economics* 131: 1291-1364.
- * Aghion, Philippe, and Peter Howitt. A model of growth through creative destruction. No. w3223. National Bureau of Economic Research, 1990.
- Hsieh, Chang-Tai and Peter J. Klenow (2009), "Misallocation and Manufacturing TFP in China and India" *Quarterly Journal of Economics* 124: 1403-1448.
- Hsieh, Chang-Tai and Peter J. Klenow (2014), "The Life Cycle of Plants in India and Mexico" *Quarterly Journal of Economics* 129: 1035-1084.
- Peters, Michael (2016), "Heterogeneous Mark-Ups, Growth and Endogenous Misallocation", working paper
- Hsieh, Chang-Tai, Erik Hurst, Charles I. Jones, and Peter J. Klenow (2018), "The Allocation of Talent and U.S. Economic Growth"
- * Garcia-Macia, Daniel, Chang-Tai Hsieh, and Peter J. Klenow. "How destructive is innovation?." No. w22953. National Bureau of Economic Research, 2016.

- Baqaee, David and Emmanuel Farhi (2018), “Productivity and Misallocation in General Equilibrium”
- Perla, Jesse, Christopher Tonetti, and Michael E. Waugh (2015), “Equilibrium Technology Diffusion, Trade and Growth,”

II. Dynamic Recursive Commitment Problem (one sided, two sided)

- Townsend, R. (1982), “Optimal Multiperiod Contracts and the Gain from Enduring Relationships under Private Information,” *Journal of Political Economy*, 90, 1166-86.
- Holmstrom, B. (1979), “Moral Hazard and Observability,” *Bell Journal of Economics*, 10, 74-91.
- Rogerson, W. (1985), “Repeated Moral Hazard”, *Econometrica*, 53, 69- 76.
- Rogerson, W. (1985), “The First-Order Approach To Approach Principal-Agent Problems”, *Econometrica*, 53, 1357-1367.
- * Thomas, J. and T. Worrall (1990), “Income Fluctuation and Asymmetric Information: An Example of a Repeated Principal-Agent Problem”, *Journal of Economic Theory*, 51, 367-90.
- Cole, H. and N. Kocherlakota (2001), “Efficient Allocations with Hidden Income and Hidden Storage,” *Review of Economic Studies*, 68, 523-42.
- Atkeson, A. and R. Lucas (1992), “On Efficient Distribution With Private Information,” *Review of Economic Studies*, 59, 427-53.
- *Kocherlakota, N. (1996), “Implications of Efficient Risk Sharing without Commitment,” *Review of Economic Studies*, 63, 595-609.

III. Asset Market (Lucas Tree, Risk Premium Puzzle, default risk)

- * Lucas, R. (1978) “Asset Prices in an Exchange Economy”, *Econometrica*, Vol. 46, pp. 1429-45.
- Kehoe, Timothy J., and David K. Levine. "Debt-constrained asset markets." *The Review of Economic Studies* (1993): 865-888.
- Hansen, L. 1982. “Large Sample Properties of Generalized Method of Moments Estimators”, *Econometrica*, 50, p. 1029-54.
- Hansen, L. and K. Singleton. 1982. “Generalized Instrumental Variables Estimation of Nonlinear Rational Expectations Models”, *Econometrica*, 50, p. 1269-86.
- *Mehra, R. and E. Prescott (1985) “The Equity Premium: A Puzzle”, *Journal of Monetary Economics*, Vol. 15, pp. 145-162.
- Kocherlakota, "The Equity Premium: It's Still A Puzzle," *Journal of Economic Literature*. 1996
- Boldrin, Fisher, "Habit Persistence, Assets Returns and the Business Cycle". *American Economic Review* 91 (2001), 149-166
- Ravi Bansal, Dana Kiku, and Amir Yaron. "Long run risks, the macroeconomy, and asset prices." *American Economic Review* (2010): 542-546.
- Kehoe, T. and D. Levine (1993), “Debt Constrained Asset Markets”, *Review of Economic Studies*, 60, 865-88.

- * Alvarez, Fernando, and Urban J. Jermann. "Quantitative asset pricing implications of endogenous solvency constraints." *The Review of Financial Studies* 14.4 (2001): 1117-1151.
- Alvarez, F and Jermann U "Efficiency, Equilibrium, and Asset Pricing with Risk of Default" *Econometrica* 68.4 (2000) 775-797
- Alvarez, Fernando, and Urban J. Jermann. "Using asset prices to measure the persistence of the marginal utility of wealth." *Econometrica* 73.6 (2005): 1977-2016.
- Alvarez, Fernando, and Urban J. Jermann. "Using asset prices to measure the cost of business cycles." *Journal of Political economy* 112.6 (2004): 1223-1256.
- Guvenen, Fatih. "A parsimonious macroeconomic model for asset pricing." *Econometrica* 77.6 (2009): 1711-1750.

IV. **Labor Market** ((s,S), search, bargaining, Mismatch, insurance)

- Pissarides, Christopher; *Equilibrium Unemployment Theory*, MIT Press, 2000
- Merz, "Search in the Labor Market and the Real Business Cycle", *Journal of Monetary Economics*, Vol.36, p. 269-300.
- Mortensen, Dale and Christopher Pissarides (1994). "Job Creation and Job Destruction in the Theory of Unemployment" *Review of Economic Studies* Vol 61, pp 397-416.
- * Cole, Rogerson "Can The Mortensen-Pissariadis Matching Model Match the Business Cycle Facts" 1999, *International Economic Review*.
- Wolpin, 1987, "Estimating a Structural Search Model" *Econometrica*
- Rogerson, Richard, Robert Shimer and Randall Wright (2004) "Search Models of the Labor Market: A Survey" *Journal of Economic Literature*, 43, pp. 959-988.
- Acemoglu, Daron (1998). "Changes in Unemployment and Wage Inequality: An Alternative Theory and Some Evidence," *American Economic Review* 89 (1999a),
- Acemoglu, Daron (2001), "Good Jobs vs Bad Jobs" *Journal of Labor Economics*, January 2001, vol 19, pp 1-22.
- Erosa, Fuster, Restuccia, "A General Equilibrium Analysis of Parental Leave Policies", 2008, (Similar matching model for family economics and nice policy analysis for Parental Leave Policies)
- Aiyagari, J Greenwood, N Guner -"On The State of Union" *Journal of Political Economy*, 2000, (This paper concern on matching from other point of view and nice application and policy analysis of matching in marriage and divorce)
- Galemlanos, Pacula, Persico, " A Search Theoric Model of the Retail Market for Illicit Drugs", 2009
- Albrecht, James, Lucas Navarro, and Susan Vroman. "The Effects of Labour Market Policies in an Economy with an Informal Sector*." *The Economic Journal* 119.539 (2009): 1105-1129.
- Shi, Shouyong. "Directed search for equilibrium wage–tenure contracts." *Econometrica* 77.2 (2009): 561-584.
- * Shimer. 2007 Mismatch. *American Economic Review* 97: 1074-1101.
- Alvarez and Shimer. 2009. Search and Rest Unemployment. Unpublished Manuscript.

- Lagos, R. 2000. An alternative approach to search frictions. *Journal of Political Economy* 108: 851-73.
- * Hopenhayn, H. and J. Nicolini (1997), "Optimal Unemployment Insurance", *Journal of Political Economy*, 105, 412-38.
- Atkeson, A. and R. Lucas (1995), "Efficiency and Equality in a Simple Model of Efficient Unemployment Insurance" *Journal of Economic Theory*, 66, 64-88.
- * Guerrieri, Veronica, Robert Shimer, and Randall Wright. "Adverse selection in competitive search equilibrium." *Econometrica* 78.6 (2010): 1823-1862.

V. **Money and Inflation (OLG, Cash in Advanced, Hyperinflation, Search, Menu cost, Banking)**

- *Shell paper
- *Christiano, L. and M. Eichenbaum (1992) "Liquidity Effects and the Monetary Transmission Mechanism", *American Economic Review*, Vol. 82, p. 346-353.
- *Christiano, L., M. Eichenbaum, C. Evans (1998) "Monetary Policy Shocks: What Have We Learned and to What End?" *Handbook of Macroeconomics*.
- Fuerst, T. (1992) "Liquidity, Loanable Funds, and Real Activity", *Journal of Monetary Economics*, Vol. 29, pp. 3-24.
- Ireland, P. (1997) "Sustainable Monetary Policies", *Journal of Economic Dynamics and Control*, Vol. 22, pp. 87-108.
- Lagos, R. and R. Wright (2002) "A Unified Framework for Monetary Theory and Policy Analysis",
- * Sargent, T. and N. Wallace (1981) "Some Unpleasant Monetarist Arithmetic", *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 5, No. 3 pp. 1-17
- Townsend, R. (1980) "Models of Money with Spatially Separated Agents", in J. Kareken and N. Wallace, eds., *Models of Monetary Economies*, Minneapolis: Federal Reserve Bank of Minneapolis, p. 265-303
- * Trejos, A. and R. Wright (1995) "Search, Bargaining, Money and Prices", *Journal of Political Economy*, Vol. 103, p. 118-139.
- Lagos, R. and R. Wright (2002) "A Unified Framework for Monetary Theory and Policy Analysis"
- Gu, Chao, Fabrizio Mattesini, and Randall Wright. "Money and credit redux." *Econometrica*, (2016)
- Caplin, Spulber "Menu Costs and the Neutrality of Money" (1987) *QJE*
- Caplin, Leahy "Aggregation and Optimization with state Dependent Pricing" (1997) *Econometrica*
- Golosov-Lucas "Menu Costs and Phillips Curves" (2007) *JPE*
- * Nakamura, Emi, and Jón Steinsson. "Five facts about prices: A reevaluation of menu cost models." *The Quarterly Journal of Economics* 123.4 (2008): 1415-1464.
- * Diamond, D. and P. Dybvig (1983) "Bank Runs, Deposit Insurance, and Liquidity", *Journal of Political Economy*, Vol. 91, p. 401-19.

VI. **Taxation and Government Commitment Problem** (NOT COVER)

- Mirrlees, James A. "An exploration in the theory of optimum income taxation." *The review of economic studies* 38.2 (1971): 175-208.
- Aiyagari, R. (1989) "How Should Taxes be Set?", *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 13, No. 1, pp. 22-32.
- Aiyagari, R., A. Marcet, T. Sargent, J. Seppala (2002) "Optimal Taxation without State Contingent Debt", *Journal of Political Economy*, Vol. 110, 1220-1254.
- +Atkeson, A., V.V. Chari, P. Kehoe (1999) "Taxing Capital Income: A Bad Idea", *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 23, No. 3, pp. 3-17
- Chari, V.V. (1988) "Time Consistency and Optimal Policy Design", *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 12, No.
- Chari, V.V. and P. Kehoe (1990) "Sustainable Plans", *Journal of Political Economy*, Vol. 98, pp. 783-802.
- Gertler, M. (1999) "Government debt and social security in a lifecycle economy*" *Carnegie-Rochester Conference Series on Public Policy*, Vol. 50, pp. 61-110.
- Goloslov, M., A. Tsyvinski and I. Werning (2006) "New Dynamic Public Finance: A User's Guide", in *NBER Macroeconomic Annual*, MIT press.
- Kydland, F. and E. Prescott (1977) "Rules rather than discretion: The inconsistency of optimal plans", *Journal of Political Economy*, Vol. 85, 473-91.
- +Stokey, N. (1989) "Reputation and Time Consistency", *American Economic Review*, Vol. 79, pp. 134-139.
- Stokey, N. and R. Lucas (1983) "Optimal Fiscal and Monetary Policy in an Economy without Capital", *Journal of Monetary Economics*, Vol. 12, pp. 55-93.
- Jones, L. E., R. E. Manuelli and P. E. Rossi, "On the Optimal Taxation of Capital Income," *Journal of Economic Theory*, Vol. 73, No.1, 1997, 93-117.
- Jones, Larry E., Rodolfo E. Manuelli, and Peter E. Rossi. "Optimal taxation in models of endogenous growth." *Journal of Political economy* 101.3 (1993): 485-517.

VII. **International Macroeconomics** (International Business Cycle, diversification)

- * Backus, David, Patrick J. Kehoe, and Finn E. Kydland. *Dynamics of the Trade Balance and the Terms of Trade: The S-curve*. No. w4242. National Bureau of Economic Research, 1992.
- Backus, David K., Patrick J. Kehoe, and Finn E. Kydland. "International real business cycles." *Journal of political Economy* (1992): 745-775.
- Backus, David, Patrick J. Kehoe, and Finn E. Kydland. *International business cycles: theory and evidence*. No. w4493. National Bureau of Economic Research, 1993.
- Schmitt-Grohé, Stephanie, and Martin Uribe. "Closing small open economy models." *Journal of international Economics* 61.1 (2003): 163-185.
- Mendoza, Enrique G. "Real business cycles in a small open economy." *The American Economic Review* (1991): 797-818.

- * Stockman, Alan C., and Linda L. Tesar. Tastes and technology in a two-country model of the business cycle: Explaining international comovements. No. w3566. National Bureau of Economic Research, 1990.
- Ghironi, Fabio, and Marc J. Melitz. "International Trade and Macroeconomic Dynamics with Heterogeneous Firms." *Quarterly Journal of Economics* 120.3 (2005).
- * Kehoe, P., and F. Perri 2000 "International Business Cycles with Endogenous Incomplete Markets," *Econometrica*.
- Heathcote, Jonathan, and Fabrizio Perri. The international diversification puzzle is not as bad as you think. No. w13483. National Bureau of Economic Research, 2007.

VIII. Exchange Rate

- Reinhart, Carmen M., and Kenneth S. Rogoff. "The modern history of exchange rate arrangements: a reinterpretation." *the Quarterly Journal of economics* 119.1 (2004): 1-48.
- Ilzetzi, Ethan, Carmen M. Reinhart, and Kenneth S. Rogoff. "Exchange arrangements entering the 21st century: which anchor will hold?." *Quarterly Journal of Economics* (2018).
- Costinot A., G. Lorenzoni & I. Werning "A Theory of Capital Controls as Dynamic Terms of Trade Manipulation" *Journal of Political Economy*, 122(1), 2014
- * Chari, Varadarajan V., Patrick J. Kehoe, and Ellen R. McGrattan. "Can sticky price models generate volatile and persistent real exchange rates?." *The review of economic studies* 69.3 (2002): 533-563.
- * Alvarez, Fernando, Andrew Atkeson, and Patrick J. Kehoe. "Money, interest rates, and exchange rates with endogenously segmented markets." *Journal of political Economy* 110.1 (2002): 73-112.
- Galí, J. and T. Monacelli, "Monetary policy and exchange rate volatility in a small open economy (Links to an external site.)Links to an external site.," *Review of Economic Studies*, 2008, Vol. 72(3),
- Farhi, Emmanuel, and Xavier Gabaix. "Rare disasters and exchange rates." *The Quarterly Journal of Economics* 131.1 (2015): 1-52.

IX. Advanced Topics in RBC (Shock in trend, uncertainty, credit, network,)

- * Aguiar, Mark, and Gita Gopinath. "Emerging market business cycles: The cycle is the trend." *Journal of political Economy* 115.1 (2007): 69-102.
- Neumeyer, Pablo A., and Fabrizio Perri. "Business cycles in emerging economies: the role of interest rates." *Journal of monetary Economics* 52.2 (2005): 345-380.
- * Bloom, Nicholas. "The impact of uncertainty shocks." *econometrica* 77.3 (2009): 623-685.
- Bloom, Nick, Stephen Bond, and John Van Reenen. "Uncertainty and investment dynamics." *The review of economic studies* 74.2 (2007): 391-415.
- Bloom, Nick. "Uncertainty and the Dynamics of R&D." *American Economic Review* 97.2 (2007): 250-255.

- Bloom, Nicholas, et al. "Really uncertain business cycles." *Econometrica* 86.3 (2018): 1031-1065.
- Baker, Scott R., Nicholas Bloom, and Steven J. Davis. "Measuring economic policy uncertainty." *The Quarterly Journal of Economics* 131.4 (2016): 1593-1636.
- Kocherlakota, N. (2000), "Creating Business Cycles Through Credit Constraints", *Federal Reserve Bank of Minneapolis Quarterly Review*, Summer, p. 2-10.
- * Kiyotaki, N. and J. Moore (1997) "Credit Cycles", *Journal of Political Economy*, 105, 211-48.
- Jermann, Urban, and Vincenzo Quadrini. "Macroeconomic effects of financial shocks." *American Economic Review* 102.1 (2012): 238-71.
- * Acemoglu, Daron, et al. "The network origins of aggregate fluctuations." *Econometrica* 80.5 (2012): 1977-2016.
- Acemoglu, Daron, Asuman Ozdaglar, and Alireza Tahbaz-Salehi. "Microeconomic origins of macroeconomic tail risks." *American Economic Review* 107.1 (2017): 54-108.
- * Abreu, Dilip, and Markus K. Brunnermeier. "Bubbles and crashes." *Econometrica* 71.1 (2003): 173-204.