Economics 712
Steven N. Durlauf
Fall 2007

Reading List
*** denotes high priority**

Topic 1: Time Series Analysis

*Lecture Notes 1-4

*Sargent, T., (1987), *Macroeconomic Theory*, chapters IX-XI.

Topic 2: Frequency Domain Analysis

*Lecture Notes 5.

*Sargent, T., (1987), *Macroeconomic Theory*, chapter XI

*Cogley, T. and J. Nason, (1995), "Effects of the Hodrick-Prescott Filter on Trend and Difference Stationary Time Series Implications for the Business Cycle," *Journal of Economic Dynamics and Control*, 19, 1-2, 253-278

Granger, C. W. J., (1966), "The Typical Spectral Shape of an Economic Variable," *Econometrica*, 34, 1, 150-161.

Hodrick, R. and E. Prescott, (1997), "Postwar U. S. Business Cycles: An Empirical Investigation," *Journal of Money, Credit and Banking*, 29, 1, 1-16.

King, R. and S. Rebelo, (1993), "Low Frequency Filtering and Real Business Cycles," *Journal of Economic Dynamics and Control*, 17, 1-2, 207-231

Priestley, M., (1983), *Spectral Analysis and Time Series vol.* 1, New York: Academic Press, chapter 4.

Topic 3: Rational Expectations

Hamilton, J. and C. Whiteman, (1985), "The Observable Implications of Self-Fulfilling Expectations," *Journal of Monetary Economics*, 16, 353-373.

*Hansen, L. and T. Sargent, (1980), "Formulating and Estimating Dynamic Linear Rational Expectations Models," *Journal of Economic Dynamics and Control*, 2, 7-46.

*Hansen, L. and T. Sargent, (1981), "A Note on Wiener-Kolmogorov Prediction Formulas for Rational Expectations Models," *Economic Letters*, 8, 255-260.

*Lucas, R., (1976), "Econometric Policy Evaluation: A Critique," *Carnegie-Rochester Conference in Public Policy*, 1, 19-46.

*Sargent, T., (1987), *Macroeconomic Theory*, chapters XII and XIII.

Topic 4: Vector Autoregressions

*Lecture Notes 6.

Blanchard, O. and D. Quah, (1989), "The Dynamic Effects of Aggregate Supply and Demand Disturbances," *American Economic Review*, 79, 655-671.

Blanchard, O. and D. Quah, (1993), "The Dynamic Effects of Aggregate Supply and Demand Disturbances: Reply," *American Economic Review*, 83, 653-658.

Chari, V., P. Kehoe, and E. McGrattan, (2005), "A Critique of Structural VAR's Using Real Business Cycle Theory," *Federal Reserve Bank of Minneapolis Working Paper no.* 631.

Christiano, L,, M. Eichenbaum, and R. Vigfusson, (2006), "Assessing Structural VARs," *National Bureau of Economic Research Macroeconomics Annual*, 21, 1-72.

*Cooley, T. and S. LeRoy, (1985), "Atheoretical Macroeconomics: A Critique," *Journal of Monetary Economics*, 283-308.

*Fernandez-Villaverde, J., J.Rubio-Ramirez, T. Sargent, (2007), and M. Watson "A, B, C's (and D's) for Understanding VAR's," *American Economic Review*, forthcoming.

*Geweke, J., (1982), "Measurement of Linear Feedback Among Multiple Time Series," *Journal of the American Statistical Association*, 77, 378, 304-313.

Granger, C., (1969), "Investing Causal Relations by Econometric Models and Cross-Spectral Methods," *Econometrica*, Vol. 37, No. 3. (Aug., 1969), pp. 424-438.

*Hansen, L. and T. Sargent, (1991), "Two Difficulties in Interpreting Vector Autoregressions," in *Rational Expectations Econometrics*, L. Hansen and T. Sargent, Boulder: Westview Press.

*Leeper, E., C. Sims, and T. Zha, (1996), "What Does Monetary Policy Do?," *Brookings Papers on Economic Activity*, 2, 1-78.

Lippi, M. and L. Reichlin, (1993), "The Dynamic Effects of Aggregate Supply and Aggregate Demand: Comment," *American Economic Review*, 83, 644-652.

*Sargent, T., (1976), "The Observational Equivalence of Natural and Unnatural Rate Theories of Macroeconomics," *Journal of Political Economy*, 84, 3, 631-640.

Sargent, T., (1984), "Autoregressions, Expectations, and Advice," *American Economic Review*, 74, 408-415.

*Sims, C., (1972), "Macroeconomics and Reality," *Econometrica*, 48, 1-48.

*Sims, C., (1982), "Policy Evaluation with Econometric Models," *Brookings Papers on Economic Activity*, 1, 107-152.

Topic 5: Unit Roots

Lecture Notes 7.

*Engle, R., and C. Granger, (1988), "Co-Integration and Error Correction: Representation, Estimation, and Testing," *Econometrica*, 55, 251-276.

*King, R. and M. Watson, (1994), "The Post-War U.S. Phillips Curve: A Revisionist Econometric History," *Carnegie-Rochester Conference on Public Policy*,

Soderlind, P. and A. Warne, (1996), "Applied Cointegration Analysis in the Mirror of Macroeconomic Theory," *Journal of Applied Econometrics*, 11, 363-381.

*Watson, M., (1986), "Univariate Detrending with Stochastic Trends, *Journal of Monetary Economics*," 18, 49-75.

Topic 6: Model Uncertainty

Brock, W. and S. Durlauf, (2005), "Local Robustness Analysis: Theory and Application," *Journal of Economic Dynamics and Control*, 29, 11, 2067-2092.

*Brock, W., K. West, and S. Durlauf, (2003), "Policy Analysis in Uncertain Economic Environments (with discussion)." *Brookings Papers on Economic Activity*, 1, 235-322.

Brock. W., J. Nason, G. Rondina, and S. Durlauf, (2007), "Simple versus Optimal Rules as Guides to Policy," *Journal of Monetary Economics*, 54, 5, 1372-1396.

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Draper, D., (1995), "Assessment and Propagation of Model Uncertainty," *Journal of the Royal Statistical Society, series B*, 57, 45-70.

*Hansen, L. and T. Sargent, (2001) "Acknowledging Misspecification in Macroeconomic Theory." *Review of Economic Dynamics*, 4, 519-35.

Hansen, L. and T. Sargent, (2005), *Robustness*, book manuscript, New York University, http://homepages.nyu.edu/~ts43/.

Kasa, K., (2001), "A Robust Hansen–Sargent Prediction Formula," *Economics Letters*, 71, 143-48.

*Leamer, E., (1983), "Let's Take the Con out of Econometrics," *American Economic Review*, 73, 1, 31-43.

*Onatski, A. and N. Williams (2003), "Modeling Model Uncertainty," *Journal of the European Economic Association*, 1, 5, 1087-1022.

Topic 7: Calibration

*Hansen, L. and Heckman, J., (1996), "The Empirical Foundations of Calibration," *Journal of Economic Perspectives*, 10, 1, 87-104.

Browning, M., L. Hansen, and J. Heckman, (1999), "Micro Data and General Equilibrium Models," in *Handbook of Macroeconomics*, J.Taylor and M. Woodford, eds., Amsterdam: North Holland.

*Kydland, F. and Prescott , E., (1996), "The Computational Experiment: An Econometric Tool," *Journal of Economic Perspectives*, 10, 1 69-85.

*Sims, C., (1996), "Macroeconomics and Methodology," *Journal of Economic Perspectives*, Vol. 10, 1, 105-120.

Watson, M., (1993), "Measures of Fit for Calibrated Models," *Journal of Political Economy*, 101, 6, 1011-1041.

Topic 8: Empirical Analysis of Economic Growth

*Barro, R., (1991), "Economic Growth in a Cross-Section of Countries," *Quarterly Journal of Economics*, 106, 2, 407-443.

*Brock, W. and S. Durlauf, (2001), "Growth Empirics and Reality," *World Bank Economic Review*, 15, 229-272.

Durlauf, S. and D. Quah, (1999), “The New Empirics of Economic Growth,” *Handbook of Macroeconomics*, J. Taylor and M. Woodford, eds., Amsterdam: North Holland.

*Durlauf, S., P. Johnson, and J. Temple, (2005), “Growth Econometrics,” *Handbook of Macroeconomics*, P. Aghion and S. Durlauf, eds., Amsterdam: North Holland, forthcoming.

Easterly, W. and R. Levine, (1997), “Africa’s Growth Tragedy: Policies and Ethnic Divisions,” *Quarterly Journal of Economics*, CXII, 1203-1250.

Fernandez, C., E. Ley, and M. Steel, (2001), “Model Uncertainty in Cross-Country Growth Regressions,” *Journal of Applied Econometrics*, 16, 5, 563-576.

Mankiw, N. G., D. Romer, and D. Weil, (1992), “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics*, 107, 407-437.

Quah, D., (1997), “Empirics for Growth and Distribution: Polarization, Stratification, and Convergence Clubs,” *Journal of Economic Growth*, 2, 1, 27-59.

Supplemental Topic: Frequentist and Bayesian Approaches to Data Analysis

Chamberlain, G., (2000), “Econometrics and Decision Theory,” *Journal of Econometrics*, 95, 255-283.

Cox, D. and D. Hinkley, (1974), *Theoretical Statistics*, chapters 10-11, Cambridge: Chapman and Hall.

Lindley, D., (1990), “The 1988 Wald Memorial Lectures: The Present Position in Bayesian Statistics (with discussion),” *Statistical Science*, 5, 44-89.

Sims, C., (2000), “Using a Likelihood Perspective to Sharpen Econometric Discourse: Three Examples,” *Journal of Econometrics*, 95, 2, 443-462.

Supplemental Topic: Counterfactuals

Dawid, A. P., (2000), “Causal Inference Without Counterfactuals,” *Journal of the American Statistical Association*, 95, 407-448 (with discussion).

Draper, D., J. Hodges, C. Mallows, and D. Pregibon, (1993), “Exchangeability and Data Analysis (with discussion),” *Journal of the Royal Statistical Society, series A*, 156, 9-37.

Heckman, J., (2000), "Causal Parameters and Policy Analysis in Economics: A Twentieth Century Retrospective." *Quarterly Journal of Economics*, *115*, 1, 45-97.

Heckman, J., (2005), “The Scientific Approach to Causality,” *Sociological Methodology 2005*, 35, 1-93.

Manski, C., (2000), “Identification Problems and Decisions Under Ambiguity: Empirical Analysis of Treatment Response and Normative Analysis of Treatment Choice” *Journal of Econometrics*, 95, 415-442

Rubin, D., (1990), “Formal Modes of Statistical Inference for Causal Effects,” *Journal of Statistical Planning and Inference*, 25, 279-292.