Econ 879: Topics in Macroeconomics

Instructor
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Reading List

I. Review of stochastic dynamic programming

- Gary Chamberlain and Charles A. Wilson. Optimal intertemporal consumption under uncertainty. *Review of Economic Dynamics*, 3(3):365–395, 2000.

- John J. McCall. Economics of information and job search. *Quarterly Journal of Economics*, 84(1):113–126, 1970.

II. Dynamic programming in general equilibrium

- S. Rao Aiyagari. Uninsured idiosyncratic risk and aggregate saving. *Quarterly Journal of Economics*, 109(3):659–684, 1994.

- S. Rao Aiyagari. Optimal capital income taxation with incomplete markets, borrowing constraints, and constant discounting. *Journal of Political Economy*, 103(6):1158–1175, 1995.

III. Recursive contracts

- Hugo A. Hopenhayn and Juan Pablo Nicolini. Optimal unemployment insurance. *Journal of Political Economy*, 105(2):412–438, 1997.

- Narayana R. Kocherlakota. Implications of risk-sharing without commitment. *Review of Economic Studies*, 63(4):595–609, 1996.

- Jonathan Thomas and Tim S. Worrall. Self-enforcing wage contracts. *Review of Economic Studies*, 55(4):541–554, 1988.

- Jonathan Thomas and Tim S. Worrall. Income fluctuation and asymmetric information: An example of a repeated principal-agent problem. *Journal of Economic Theory*, 51(2): 367–390, 1990.

- Rui Zhao. The optimal unemployment insurance contract: Why a replacement ratio? Manuscript, University of Illinois at Urbana-Champaign, 2001.

IV. Calibration and estimation

- V. V. Chari, Patrick J. Kehoe, and Ellen McGrattan. Sticky price models of the business cycle: Can the contract multiplier solve the persistence problem? *Econometrica*, 68(5): 1151–1179, 2000.

- Lawrence J. Christiano and Martin Eichenbaum. Current real business cycle theories and aggregate labor-market fluctuations. *American Economic Review*, 82(3):430–450, 1992.

- Timothy Cogley and James M. Nason. Output dynamics in real business cycle models. *American Economic Review*, 85(3):492–511, 1995.

- Lars Peter Hansen and James J. Heckman. The empirical foundations of calibration. *Journal of Economic Perspectives*, 10(1):87–104, 1996.

- Anthony A. Smith, Jr. Estimating nonlinear time-series models using simulated vector autoregressions. *Journal of Applied Econometrics*, 8:S63–S84, 1993.

- Mark W. Watson. Measure of fit for calibrated models. *Journal of Political Economy*, 101 (6):1011–1041, 1993.

V. Asset pricing

- Andrew B. Abel. Asset prices under habit formation and catching up with the Joneses. *American Economic Review*, 80(2):38–42, 1990.

- Ravi Bansal, A. Ronald Gallant, and George Tauchen. Rational pessimism, rational exuberance, and markets for macro risks. Manuscript, Duke University, Durham, NC, 2004.

- Ravi Bansal and Amir Yaron. Risks for the long run: A potential resolution of asset pricing puzzles. *Journal of Finance*, 59(4):1481–1509, 2004.

- Michele Boldrin, Lawrence J. Christiano, and Jonas D. M. Fisher. Habit persistence, asset returns, and the business cycle. *American Economic Review*, 91(1):149–166, 2001.

- John Y. Campbell and John H. Cochrane. By force of habit: A consumption-based explanation of aggregate stock market behavior. *Journal of Political Economy*, 107(2):205–251, 1999.

- George M. Constantinides. Habit formation: A resolution of the equity premium puzzle. *Journal of Political Economy*, 98(3):519–543, 1990.

- Lars Peter Hansen and Ravi Jagannathan. Implications of security market data for models of dynamic economies. *Journal of Political Economy*, 99(2):225–262, 1991.

- John C. Heaton. An empirical investigation of asset pricing with temporally dependent preference specifications. *Econometrica*, 63(3):681–717, 1995.

- Urban J. Jermann. Asset pricing in production economies. *Journal of Monetary Economics*, 41(2):257–275, 1998.

- Thomas D. Tallarini, Jr. Risk-sensitive real business cycles. *Journal of Monetary Economics*, 45(3):507–532, 2000.

VI. Repeated games

- Dilip Abreu. On the theory of infinitely repeated games with discounting. *Econometrica*, 56(2):383–396, 1988.

- Dilip Abreu, David Pearce, and Ennio Stacchetti. Toward a theory of discounted repeated games with imperfect monitoring. *Econometrica*, 58(5):1041–1063, 1990.