

COURSE OUTLINE AND READING LIST

Many of the classes will feature student-led discussion of papers in the existing literature. All those attending the course will be expected to have read the papers to be discussed closely enough to participate in the discussion.

1. RATIONAL INATTENTION: INFORMATION THEORY IN MACRO DYNAMICS

Cover and Thomas and Mackay are information theory textbooks. Cover and Thomas is a standard engineering textbook on information theory. MacKay combines discussion of information theory with discussion of Bayesian inference and learning algorithms. MacKay is probably a better introduction for economists.

Sims (1998)
Sims (2003)
Sims (2005b)
Maćkowiak and Wiederholt (2005)
Bils and Klenow (2004)
Klenow and Willis (2006)
Cover and Thomas (1991)
MacKay (2003)

2. FISCAL THEORY OF THE PRICE LEVEL

Davig and Leeper (2006)
Sims (2005a)
Cochrane (1998)
Stella (2005)
Sims (2001)
Canzoneri, Cumby, and Diba (2001)
Sims (1997)
Cochrane (2006)

3. HAS MONETARY POLICY IMPROVED? WHY HAVE MACRO FLUCTUATIONS DAMPENED?

Clarida, Galí, and Gertler (2000)
Sims and Zha (2006)
Primiceri (2003)
Cogley and Sargent (2005)

Sargent, Williams, and Zha (2004). The paper is available online in a more recent version at Noah Williams's web page.
 Orphanides (2002)

4. DSGE MODELS USABLE FOR POLICY ANALYSIS

REFERENCES

- BILS, M., AND P. KLENOW (2004): "Some Evidence on the Importance of Sticky Prices," *Journal of Political Economy*, 112, 947–985.
- CANZONERI, M., R. CUMBY, AND B. DIBA (2001): "Is the Price Level Determined by the Needs of Fiscal Solvency," *American Economic Review*, 91(5), 1221–1238.
- CLARIDA, R., J. GALÍ, AND M. GERTLER (2000): "Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory," *Quarterly Journal of Economics*, CXV, 147–180.
- COCHRANE, J. H. (1998): "A Frictionless View of US Inflation," *NBER Macroeconomics Annual*, 13, 323–384.
- (2006): "Identification and Price Determination with Taylor Rules: A Critical Review," Discussion paper, University of Chicago Graduate School of Business.
- COGLEY, T., AND T. J. SARGENT (2005): "Drifts and Volatilities: Monetary Policies and Outcomes in the Post WWII U.S.," *Review of Economic Dynamics*, 8, 262–302.
- COVER, T. M., AND J. A. THOMAS (1991): *Elements of Information Theory*. Wiley-Interscience.
- DAVIG, T., AND E. M. LEEPER (2006): "Fluctuating Macro Policies and the Fiscal Theory," Discussion paper, Federal Reserve Bank of Kansas City and Indiana University.
- KLENOW, P. J., AND J. L. WILLIS (2006): "Sticky Information and Sticky Prices," Discussion paper, Stanford University and Kansas City Federal Reserve Bank.
- MACKAY, D. J. C. (2003): *Information Theory, Inference, and Learning Algorithms*. Cambridge University Press.
- MAĆKOWIAK, B., AND M. WIEDERHOLT (2005): "Optimal Sticky Prices under Rational Inattention," Discussion paper, Humboldt University Berlin.
- ORPHANIDES, A. (2002): "Monetary policy rules and the great inflation," Discussion paper, Board of Governors of the Federal Reserve.
- PRIMICERI, G. (2003): "Why Inflation Rose and Fell: Policymakers' Beliefs and US Postwar Stabilization Policy," Discussion paper, Princeton University, <http://www.princeton.edu/~gprimice/research.html>.

- SARGENT, T. J., N. WILLIAMS, AND T. ZHA (2004): “Shocks and Government Beliefs: The Rise and Fall of American Inflation,” NBER Working Paper w10764.
- SIMS, C. A. (1997): “Fiscal Foundations of Price Stability in Open Economies,” Discussion paper, Department of Economics, Princeton University, <http://www.princeton.edu/~sims/>.
- (1998): “Stickiness,” *Carnegie-rochester Conference Series On Public Policy*, 49(1), 317–356.
- (2001): “Fiscal Consequences for Mexico of Adopting the Dollar,” *Journal of Money, Credit, and Banking*, 33(2,part2), 597–616.
- (2003): “Implications of Rational Inattention,” *Journal of Monetary Economics*, 50(3), 665–690.
- (2005a): “Limits to Inflation Targeting,” in *The Inflation-Targeting Debate*, ed. by B. S. Bernanke, and M. Woodford, vol. 32 of *National Bureau of Economic Research Studies in Business Cycles*, chap. 7, pp. 283–310. University of Chicago Press, Chicago and London, presented at an NBER conference in Miami, January 2003.
- (2005b): “Rational Inattention: A Research Agenda,” Discussion paper, Princeton University, <http://sims.princeton.edu/yftp/RIplus>.
- SIMS, C. A., AND T. ZHA (2006): “Were There Regime Switches in US Monetary Policy?,” *American Economic Review*, 96(1), 54–81.
- STELLA, P. (2005): “Central Bank Financial Strength, Transparency, and Policy Credibility,” *IMF Staff Papers*, 52(2).