

FEP Advanced Economic analysis
Expectations in Macroeconomic Analysis
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Classes: Wednesday-Friday, 10:00-12:00 and 15:00-17:00. Questions: after class

CLASS DESCRIPTION: We will study models of imperfect information in application to aggregate supply. We will focus on two paradigms: delayed and partial information. The emphasis will be on theory.

READINGS: There is no textbook for this course. Every class we will cover topics from different articles or book chapters listed below. You can get all the readings (but for the book chapters) in one large zip file at: www.columbia.edu/~rr2572/FEP2009.zip.

READING LIST:

1. A canonical model of aggregate supply

Woodford (2003) *Interest and Prices*, Princeton University Press, chapter 3, section 1.

Ball, Laurence, N. Gregory Mankiw, and Ricardo Reis (2005). "Monetary Policy for Inattentive Economies." *Journal of Monetary Economics*, 52 (4), 703-725.

2. New Keynesian foundations

David Romer (2005) *Advanced Macroeconomics*, 3rd edition, MIT Press, chapter 6.

Mankiw, N. Gregory (1985). "Small Menu Costs and Large Business cycles: A Macroeconomic Model of Monopoly." *Quarterly Journal of Economics*, 100, 529-539.

Ball, Laurence and David Romer (1990). "Real Rigidities and the Non-neutrality of Money." *Review of Economic Studies*, 57, 183-203.

Reis, Ricardo (2006). "Inattentive Producers." *Review of Economic Studies*, 73(3), 793-821.

Cooper and John (1988) "Coordinating Coordination Failures in Keynesian models," *Quarterly Journal of Economics*, 103(3), 441-463.

3. Partial information 1: approach, uniqueness

Morris, Stephen and Hyun Song Shin (1998). "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks." *American Economic Review*, 88(3), 587-97.

Hellwig, Christian (2005). "Heterogeneous Information and the Welfare Effects of Public Information Disclosures." Manuscript.

Woodford, Michael (2002). "Imperfect Common Knowledge and the Effects of Monetary Policy." In P. Aghion, R. Frydman, J. Stiglitz, and M. Woodford, eds. *Knowledge, Information and Expectations in Modern Macroeconomics*, Princeton: Princeton University Press.

4. Partial information 2: application (transparency) and micro-foundations (inattention)

Morris, Stephen and Hyun Song Shin (2002). "The Social Value of Public Information." *American Economic Review*, 92(5), 1521-1534.

Svensson, Lars E. O. (2006). "Social Value of Public Information: Morris and Shin (2002) Is Actually Pro Transparency, Not Con." *American Economic Review*, 96(1), 448-452.

Roca, Mauro (2006) "Transparency and Monetary Policy with Imperfect Common Knowledge." Manuscript.

Sims, Chris (2003). "Implications of Rational Inattention." *Journal of Monetary Economics*, 50, 665-690.

Mackowiack and Wiederholt (2008). "Optimal Sticky Prices under Rational Inattention." *American Economic Review*, forthcoming.

5. Delayed information 1: approach, persistence

Mankiw, N. Gregory and Ricardo Reis (2002). "Sticky Information versus Sticky Prices: A Proposal to Replace the New Keynesian Phillips Curve." *Quarterly Journal of Economics*, 117, 1295-1328.

Reis, Ricardo (2009). "A Sticky-Information General-Equilibrium Model for Policy Analysis. In: *Monetary Policy under Uncertainty and Learning*, edited by K. Schmidt-Heubel and C. Walsh, Central Bank of Chile: forthcoming, 2009.

Reis, Ricardo (2008) "Optimal Monetary Policy Rules in an Estimated Sticky-Information Model." Manuscript.

6. Delayed information 2: application (disagreement) micro-foundations (inattentiveness)

Mankiw, N. Gregory, Ricardo Reis and Justin Wolfers (2004) "Disagreement about Inflation Expectations." In Mark Gertler and Kenneth Rogoff, eds., *NBER Macroeconomics Annual 2003*, pp. 209-248.

Reis, Ricardo (2006). "Inattentive Producers." *Review of Economic Studies*, 73(3), 793–821.

Abel, Andrew, Janice Eberly, and Stavros Panageas (2007). "Optimal Inattention to the Stock Market." *American Economic Review*, 97(2), 244–249.

Coibion, Olivier and Yuriy Gorodnichenko (2008) "What can Survey Forecasts Tell Us About Informational Rigidities." Manuscript, UC Berkeley.

Klenow, Peter and Jon Willis (2007). "Sticky Information and Sticky Prices." *Journal of Monetary Economics*, 54, 79–99.