

Preliminary Reading List: Econ 8403

Patrick Kehoe pkehoe@res.mpls.frb.fed.us

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Grading: 1/2 from problem sets and 1/2 from in class final exam

All problem sets must be typed and submitted as .pdfs by email

1. Background: International Business Cycle Models

Preliminaries:

Uhlig, Harold,. A toolkit for analyzing nonlinear dynamic stochastic models easily.

In *Computational methods for the study of dynamic economies*, Marimon, Ramon; Scott, Andrew, eds. Oxford and New York: Oxford University Press, 1999 or download from <http://cwis.kub.nl/~few5/center/STAFF/uhlig/toolkit.dir/toolkit.htm>

Overviews:

David, Backus, Patrick Kehoe, and Finn Kydland. 1992. International business cycles: theory and evidence, in *Minneapolis Quarterly Review* (<http://woodrow.mpls.frb.fed.us/>)

Baxter, Marianne. 1995. International trade and business cycles. In *Handbook of International Economics Vol III*. Edited by Grossman and Rogoff.

Liquidity Effects and the Forward Premium

Fernando Alvarez, Andrew Atkeson and Patrick Kehoe. Money, Interest Rates, and Exchange Rates With Endogenously Segmented Asset Markets. *Journal of Political Economy*, February 2002, also on fedwebsite

Fernando Alvarez, Andrew Atkeson and Patrick Kehoe. Time-Varying Risk, Interest Rates and Exchange Rates in General Equilibrium. Rough draft available from me..

Sticky price models:

V.V. Chari , Patrick Kehoe and Ellen R. McGrattan. Sticky Price Models of the Business Cycle: Can the Contract Multiplier Solve the Persistence Problem? *Econometrica*, September 2000, also from fed website. (Warmup from a closed economy)

Obstfeld and Rogoff. *Foundations of International Macroeconomics*, Chapters 9 and 10. (Useful background)

V.V. Chari, Patrick Kehoe and Ellen R. McGrattan, “Can Sticky Price Models Generate Volatile and Persistent Exchange Rates?” *Review of Economic Studies*, July 2002. Staff Report 223 from fed website

Kehoe, Patrick and Virgiliu Midrigan, Heterogeneity and Real Exchange Rates, from my website

2. Monetary Policy

Calvo, Guillermo. Fixed vs. Flexible Exchange Rates. Preliminaries of a Turn-of-Millennium Rematch. Also see: Capital Market And The Exchange Rate With Special Reference to the Dollarization Debate in Latin America (<http://www.bsos.umd.edu/econ/ciecrp.htm>)

Andrew Atkeson, V.V. Chari, Patrick Kehoe. The Advantage of Transparent Instruments of Monetary Policy. From my website

Susan Athey, Andrew Atkeson and Patrick Kehoe. The Optimal Degree of Monetary Policy Discretion. Working paper on the fed website.

3. Enforcement Problems

Chapter 20, Lundquist and Sargent

Kocherlakota, Narayana. Implications of Efficient Risk Sharing without Commitment, *Review of Economic Studies*, 63 (4), 595-609.

Patrick Kehoe and Fabrizio Perri, “International Business Cycles with Endogenously Incomplete Markets,” *Econometrica*, May 2002, also on my website.

4. Herds

Chari V.V. and Patrick Kehoe. Hot money. Mpls Fed Staff Report 228, *Journal of Political Economy* 2003.

Chari V.V. and Patrick Kehoe. On the Robustness of Herds, fed website, forthcoming *Journal of Economic Theory*.

Caplin, Andrew; Leahy, John. 1994. Business as Usual, Market Crashes, and Wisdom after the Fact. *American-Economic-Review*; 84(3), June 1994, pages 548-65.