

# INTERNATIONAL MONETARY FUND

Institute for Capacity Development—Western Hemisphere Division

Course on “The Use of DSGE Models in the Policymaking Process” (JV16.34)

Joint Vienna Institute, Vienna, Austria

December 5 - 16, 2016

## READING LIST

Session	Reading
<b>L-1</b>	<b>The Baseline Real Business Cycle Model</b>
	<p>Galí, Jordi and Mark Gertler, 2007, “Macroeconomic Modeling for Monetary Policy Evaluation,” <i>Journal of Economic Perspectives</i>, Vol. 21, No. 4, pp. 25–45. <a href="http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.4.25">http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.4.25</a></p> <p>Galí, Jordi, 2008, “Monetary Policy, Inflation, and the Business Cycle,” Chapters: 1 and 2, Princeton University Press. <a href="http://down.cenet.org.cn/upfile/8/201012218164113.pdf">http://down.cenet.org.cn/upfile/8/201012218164113.pdf</a></p> <p>McCandless, George, 2008, “The ABCs of RBCs, An Introduction to Dynamic Macroeconomic Models,” Harvard University Press.</p> <p>Prescott, Edward, 1986, “Theory Ahead of Business Cycle Measurement,” <i>Quarterly Review</i>, Minneapolis Fed, pp. 9-21. <a href="https://minneapolisfed.org/research/qr/qr1042.pdf">https://minneapolisfed.org/research/qr/qr1042.pdf</a></p> <p>Stadler, George, 1994, “Real Business Cycles,” <i>Journal of Economic Literature</i>, pp. 1750-1783. <a href="http://down.cenet.org.cn/upfile/36/200638101212167.pdf">http://down.cenet.org.cn/upfile/36/200638101212167.pdf</a></p> <p>Galí, Jordi, 1999, “Technology, Employment and the Business Cycle: Do technology Shocks Explain Aggregate Fluctuations?,” <i>American Economic Review</i>, pp. 249-271. <a href="http://crei.cat/people/gali/jgaer99.pdf">http://crei.cat/people/gali/jgaer99.pdf</a></p>
<b>L-2</b>	<b>The Baseline New Keynesian Model</b>
	<p>Galí, Jordi and Mark Gertler, 2007, “Macroeconomic Modeling for Monetary Policy Evaluation,” <i>Journal of Economic Perspectives</i>, Vol. 21, No. 4, pp. 25–45. <a href="http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.4.25">http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.4.25</a></p> <p>Galí, Jordi, 2008, “Monetary Policy, Inflation, and the Business Cycle,” Chapter 3, Princeton University Press. <a href="http://down.cenet.org.cn/upfile/8/201012218164113.pdf">http://down.cenet.org.cn/upfile/8/201012218164113.pdf</a></p> <p>Clarida, Richard, J. Galí, and M. Gertler, 1999, “The Science of Monetary Policy: A New Keynesian Perspective,” <i>Journal of Economic Literature</i>, Vol. 37, No. 4, pp. 1661–1707. <a href="https://www.aeaweb.org/articles?id=10.1257/jel.37.4.1661">https://www.aeaweb.org/articles?id=10.1257/jel.37.4.1661</a></p> <p>Rotemberg and Woodford, 1999, “Interest Rate Rules in an Estimated Sticky Price Model,” in <i>Monetary Policy Rules</i>, ed. by J. B. Taylor. <a href="http://www.nber.org/">http://www.nber.org/</a></p> <p>Yun, T., 1996, “Monetary Policy, Nominal Price Rigidity, and Business Cycles,” <i>Journal of Monetary Economics</i>, Vol. 37, pp. 345–370.</p>

Session	Reading
<b>L-3</b>	<b>Labor Market Rigidities in the New Keynesian Model</b>
	<p>Blanchard, O. and J. Galí, 2009, “The Macroeconomic Effects of Oil Price Shocks: Why are the 2000s so different from the 1970s?,” International Dimensions of Monetary Policy, ed. by J. Gali and M. Gertler, University of Chicago Press, pp. 373–428.  <a href="http://www.crei.cat/people/gali/bgoil08wp.pdf">http://www.crei.cat/people/gali/bgoil08wp.pdf</a></p> <p>Erceg, Chris, Dale Henderson, and Andrew Levin, 1999, "Optimal Monetary Policy with Staggered Wage and Price Contracts."  <a href="http://faculty.wcas.northwestern.edu/~lchrist/papers/fp991118.pdf">http://faculty.wcas.northwestern.edu/~lchrist/papers/fp991118.pdf</a></p> <p>Galí, Jordi, 2011, “Monetary Policy and Unemployment,” in Handbook of Monetary Economics, ed. by B. Friedman and M. Woodfords, Vol. 3A, Elsevier B.V.  <a href="http://www.crei.cat/people/gali/Monetary%20Policy%20and%20Unemp.pdf">http://www.crei.cat/people/gali/Monetary%20Policy%20and%20Unemp.pdf</a></p> <p>Galí, Jordi, 2010, “The Return of the Wage Phillips Curve,” Journal of the European Economic Association, Vol. 9, No. 3, pp. 436–61.  <a href="http://www.federalreserve.gov/events/conferences/irfmp2010/papers/jg_wu_feb2010.pdf">http://www.federalreserve.gov/events/conferences/irfmp2010/papers/jg_wu_feb2010.pdf</a></p>
<b>L-4</b>	<b>The New Keynesian Model in the Open Economy</b>
	<p>Galí, Jordi and Tommaso Monacelli, 2005, “Monetary Policy and Exchange Rate Volatility in a Small Open Economy,” Review of Economic Studies, Vol. 72, pp. 707–734. <a href="http://www.crei.cat/people/gali/roes8739.pdf">http://www.crei.cat/people/gali/roes8739.pdf</a></p> <p>Medina, J.P. and C. Soto, 2005, “Oil Shocks and Monetary Policy in an Estimated DSGE Model for a Small Open Economy,” Working Paper No. 353, Central Bank of Chile.  <a href="http://www.bankofcanada.ca/wp-content/uploads/2010/08/medina.pdf">http://www.bankofcanada.ca/wp-content/uploads/2010/08/medina.pdf</a></p> <p>Walsh, Carl E., 2010, “Monetary Theory and Policy,” 3rd edition, MIT Press.  <a href="https://mitpress.mit.edu/sites/default/files/titles/content/9780262013772_sch_0001.pdf">https://mitpress.mit.edu/sites/default/files/titles/content/9780262013772_sch_0001.pdf</a></p>
<b>L-5</b>	<b>A NK Model with Financial Frictions</b>
	<p>Bernanke, Ben, M. Gertler, and S. Gilchrist, 1998, “The Financial Accelerator in a Quantitative Business Cycle Framework,” NBER Working Paper No. 6455.  <a href="http://www.nber.org/papers/w6455.pdf">http://www.nber.org/papers/w6455.pdf</a></p> <p>Carlstrom, C. and T. Fuerst, 1997, “Agency Costs, Net Worth, and Business Fluctuations: A Computable General Equilibrium Analysis,” American Economic Review, Vol. 87, pp. 893–910.  <a href="http://faculty.wcas.northwestern.edu/~lchrist/papers/aeragency.pdf">http://faculty.wcas.northwestern.edu/~lchrist/papers/aeragency.pdf</a></p> <p>Fernández-Villaverde, J., 2010, “Fiscal Policy in a Model with Financial Frictions,” American Economic Review Papers &amp; Proceedings, Vol. 100, pp. 35–40.  <a href="https://www.aeaweb.org/conference/2010/retrieve.php?pdfid=309">https://www.aeaweb.org/conference/2010/retrieve.php?pdfid=309</a></p> <p>Gertler, M., S. Gilchrist, and F. Natalucci, 2007, "External Constraints on Monetary Policy and the Financial Accelerator," Journal of Money, Credit and Banking, Vol. 39, No. 2–3, pp. 295–330. <a href="http://onlinelibrary.wiley.com/doi/10.1111/j.0022-2879.2007.00027.x/abstract">http://onlinelibrary.wiley.com/doi/10.1111/j.0022-2879.2007.00027.x/abstract</a></p>

Session	Reading
<p><b>L-6</b></p>	<p><b>Bringing DSGE Models to the Data</b></p> <p>Guerron-Quintana, Pablo and Jim Nason, 2012, “Bayesian Estimation of DSGE Models,” Working Paper 12–4, Federal Reserve Bank of Philadelphia.</p> <p>Ruge-Murcia, Francisco, 2007. “Methods to Estimate Dynamic Stochastic General Equilibrium Models,” <i>Journal of Economic Dynamics and Control</i>, Vol. 31, No. 8, pp. 2599–2636. <a href="http://www.sciencedirect.com/science/article/pii/S0165188906001758">http://www.sciencedirect.com/science/article/pii/S0165188906001758</a></p> <p>Schorfheide, Frank, 2011, “Estimation and Evaluation of DSGE Models: Progress and Challenges,” NBER Working Paper No. 16781, National Bureau of Economic Research. <a href="http://www.nber.org/papers/w16781.pdf">http://www.nber.org/papers/w16781.pdf</a></p> <p>Smets, Frank and Rafael Wouters, 2002, “An Estimated Dynamic Stochastic General Equilibrium Model of the Euro Area.” <a href="http://www.ecb.int/pub/pdf/scpwps/ecbwp171.pdf">http://www.ecb.int/pub/pdf/scpwps/ecbwp171.pdf</a></p> <p>Sungbae, An and Frank Schorfheide, 2006, “Bayesian Analysis of DSGE Models,” Working Paper No. 06–05, Research Department, Federal Reserve Bank of Philadelphia. <a href="http://www.philadelphiafed.org/research-and-data/publications/working-papers/2006/wp06-5.pdf">http://www.philadelphiafed.org/research-and-data/publications/working-papers/2006/wp06-5.pdf</a></p>
<p><b>L-7</b></p>	<p><b>Forecasting with DSGE Models and Policy Applications</b></p> <p>Adolfson, Malin, Stefan Laseén, Jesper Lindé, and Mattias Villani, 2007, “RAMSES—A New General Equilibrium Model for Monetary Policy Analysis,” <i>Sveriges Riksbank Economic Review</i>, Vol. 2, pp. 5–39. <a href="http://www.riksbank.se/Upload/Dokument_riksbank/Kat_publicerat/Artiklar_PV/07_2eng_ramses.pdf">http://www.riksbank.se/Upload/Dokument_riksbank/Kat_publicerat/Artiklar_PV/07_2eng_ramses.pdf</a></p> <p>Del Negro, M. and Schorfheide, F., 2012, “DSGE Model-Based Forecasting,” <i>Handbook of Economic Forecasting Vol. II</i>, edited by G. Elliott and A. Timmerman, Elsevier or Federal Reserve Bank of New York, Staff Report 554. <a href="http://newyorkfed.org/research/staff_reports/sr554.pdf">http://newyorkfed.org/research/staff_reports/sr554.pdf</a></p> <p>Coletti, D. and Murchison, S., 2002, “Models in policy-making,” <i>Bank of Canada Review</i>, pp. 19-26. <a href="http://www.bankofcanada.ca/wp-content/uploads/2010/06/coletti_e.pdf">http://www.bankofcanada.ca/wp-content/uploads/2010/06/coletti_e.pdf</a></p> <p>Burgess, Stephen, Emilio Fernandez-Corugedo, Charlotta Groth, Richard Harrison, Francesca Monti, Konstantinos Theodoridis, and Matt Waldon, 2013, “The Bank of England’s forecasting platform: COMPASS, MAPS, EASE and the suite of models,” Bank of England Working Paper No. 471. <a href="http://www.bankofengland.co.uk/research/Documents/workingpapers/2013/wp471.pdf">http://www.bankofengland.co.uk/research/Documents/workingpapers/2013/wp471.pdf</a></p> <p>Sbordone, Argia, Andrea Tambalotti, Rao, Krishna, and Kieran Walsh, 2010, “Policy Analysis Using DSGE Models: An Introduction,” <i>Economic Policy Review</i>, Vol. 16, No. 2, pp. 23–43, Federal Reserve Bank of New York. <a href="http://www.newyorkfed.org/research/epr/10v16n2/1010sbor.html">http://www.newyorkfed.org/research/epr/10v16n2/1010sbor.html</a></p>

Session	Reading
<b>L-8</b>	<b>Fiscal Policy Analysis with DSGE Models</b>
	<p data-bbox="347 266 1487 411">Blanchard, O. and R. Perotti, 2002, “An Empirical Characterization of the Dynamic Effects of Changes in Government Spending and Taxes on Output,” Quarterly Journal of Economics, Vol. 117, No. 4, pp. 1329-1368.  <a href="http://qje.oxfordjournals.org/content/117/4/1329.abstract">http://qje.oxfordjournals.org/content/117/4/1329.abstract</a></p> <p data-bbox="347 449 1487 594">Gali, J., D. Lopez Salido and J. Valles, 2007, “Understanding the Effects of Government Spending on Consumption,” 2010 Journal of the European Economic Association, Vol. 5, No. 1, pp. 227-270.  <a href="http://onlinelibrary.wiley.com/doi/10.1162/JEEA.2007.5.1.227/abstract">http://onlinelibrary.wiley.com/doi/10.1162/JEEA.2007.5.1.227/abstract</a></p> <p data-bbox="347 632 1487 777">Christiano, L., M. Eichenbaum and S. Rebelo, 2011, “When Is the Government Spending Multiplier Large?” Journal of Political Economy, University of Chicago Press, Vol. 119, No. 1, pp. 78 - 121.  <a href="http://faculty.wcas.northwestern.edu/~lchrist/course/Korea_2012/JPE_2011.pdf">http://faculty.wcas.northwestern.edu/~lchrist/course/Korea_2012/JPE_2011.pdf</a></p> <p data-bbox="347 814 1487 919">Ramey, Valerie A., 2011, “Can Government Purchases Stimulate the Economy?,” Journal of Economic Literature, American Economic Association, Vol. 49, No. 3, pp. 673-685. <a href="https://www.aeaweb.org/articles?id=10.1257/jel.49.3.673">https://www.aeaweb.org/articles?id=10.1257/jel.49.3.673</a></p>