

Stanford University
Department of Economics
Fall Quarter, 2003

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Office hours: 3:15 to 4:15 Tuesdays
or email for appointment

Economics 233 Fall 2003

Syllabus

Economics 233 is the first quarter of the field sequence in macroeconomics. Economics 202-204 and 210-212 are strict prerequisites.

The class will meet Tuesday and Thursday from 1:15 to 2:15 and 2:20 to 3:05 in Economics 106. The final examination will be on Thursday, December 11, at 7 pm, or another time chosen by unanimous consent.

The class web site is located in the Stanford CourseWork system. For students taking the course for credit, you must first register via Axess. Econ 233 will automatically be listed among your CourseWork classes at <http://coursework.stanford.edu>. For auditing students and others with SUNet IDs who want full access to the CourseWork web site but don't wish to enroll in the course, you may self-register via CourseWork. Log on at <http://coursework.stanford.edu> and click "Add Course" at the top of My Courses page. For the general public, the Econ 233 home page and syllabus are available at <http://www.stanford.edu/class/econ233>.

The course will cover recent research in labor-market dynamics, adjustment costs, behavioral macro, and other topics according to the interests of the group.

The *ed readings will be discussed in detail in lectures and should be read in advance. Some of the readings will be available from the course website.

During the quarter, you will be responsible for writing a referee report on one unpublished paper of your choice (other than my paper). This report should be about two pages and should provide a thorough evaluation and suggestions for improvement. The audience for a referee report is a journal editor, usually a top academic economist in mid-career, very familiar with recent developments in the field. Your report should tell the editor whether the results in the paper are correct, whether they are important, and whether they are original. You may need to read some related papers to answer the last question. You should make suggestions for improvements such as simpler derivations, better diagrams, improved organization, and the like. Be particularly alert to material that could be omitted without serious social loss.

Meeting Schedule:

Tuesday		Thursday	
		9/25	No class
9/30	No class	10/2	
10/7		10/9	
10/14		10/16	
10/21		10/23	
10/28		10/30	
11/4		11/6	
11/11		11/13	
11/18		11/20	
11/25		11/27	No class
12/2	No class	12/4	

Readings:

I. Labor Market Dynamics

Pissarides, Christopher. *Equilibrium Unemployment Theory*, second edition, MIT Press, 2000.

*Shimer, Robert. “The Cyclical Behavior of Equilibrium Unemployment, Vacancies, and Wages: Evidence and Theory.”

*Hall, Robert. “Wage Determination and Employment Fluctuations,”

II. Behavioral Macro

*Akerlof. “Behavioral Macroeconomics and Macroeconomic Behavior” (copies provided in class)

*Gabaix and Laibson. “Some Industrial Organization with Boundedly Rational Consumers,”

*Ameriks, Caplin, and Leahy. “Wealth Accumulation and the Propensity to Plan,”

*Fang and Moscarini. “Morale Hazard.”

*Moscarini. “Limited Information Capacity as a Source of Inertia.”

*Mankiw, Reis, and Wolfers. “Disagreement about Inflation Expectations>” (See also the following three papers: (1) N. Gregory Mankiw and Ricardo Reis, “Sticky Information Versus Sticky Prices: A Proposal to Replace the New Keynesian Phillips Curve,” *Quarterly Journal of Economics*, Nov. 2002, pp. 1295-1328, (2) Michael Woodford, “Imperfect Common Knowledge

and the Effects of Monetary Policy,” (3) Christopher A. Sims, “Implications of rational inattention” *Journal of Monetary Economics* 2003 Vol. 50 no. 3, pp 665-690, [follow Science Direct link to Vol. 50, Issue 3]).

III. Asset Pricing and Macro

*Kocherlakota. “The Equity Premium: It’s Still a Puzzle,” *Journal of Economic Literature*, Vol. 34, No. 1. (Mar., 1996), pp. 42-71.

*Campbell and Cochrane. “By Force of Habit: A Consumption-Based Explanation of Aggregate Stock Market Behavior,” *JPE*, April 1999.

*Bansal and Yaron. “Risks for the Long Run: A Potential Resolution of Asset Pricing Puzzles.”

IV. Application of Behavioral Macro and Finance

*Diamond. “Social Security.”

V. Capital Adjustment Costs and Rents

*Hall. “Measuring Factor Adjustment Costs,”

*Hall. “The Stock Market and Capital Accumulation,” *American Economic Review* 91:1185-1202, December 2001. Copies distributed in class.

*Hall. “Corporate Earnings Track the Competitive Benchmark.” See also three spreadsheets at <http://www.stanford.edu/~rehall/>