Econ 2410hfc Syllabus

Professor Gabriel Chodorow-Reich

Harvard University
Fall 2015

Course overview

The course will explore topics in applied macroeconomics, with emphasis on the intersection of empirical analysis and theory. Topics may include monetary policy, fiscal policy, financial frictions, and labor markets. The course will present a variety of empirical methods, such as the narrative approach, VAR analysis, and the use of cross-sectional data in macroeconomics.

Basic information

Meeting time: Thursday 4:00pm-6:30pm
Location: Littauer M-17
Course website: http://isites.harvard.edu/icb/icb.do?keyword=k104788
Office hours: Tuesday 5-6:00
My office: Littauer Center M7
My email: chodorowreich@fas.harvard.edu. Please include “econ 2410” in the subject line.
TA: Laura Blattner (lblattner@fas.harvard.edu).

Prerequisites

Completion of the first year Ph.D sequence, or permission of instructor.

Requirements in brief

Weekly readings, three homework assignments, one referee report, and a final “virtual” paper.

Grade

Virtual paper (65%), other homeworks (25%), class participation (10%)
Requirements details

Weekly readings

Much of the class will revolve around discussion of assigned readings. This makes it essential that you read the starred papers before lecture and come prepared to discuss and critique them.

Homework I

The first homework is a data exploration project, described in class and on a handout. I encourage you to discuss ideas together, but each student must complete the assignment separately. Slides due via email the evening before class on Wednesday September 16. Please include “econ 2410” in the subject line.

Homework II

The second homework will be a problem set with a focus on building quantitative skills and familiarity with VARs. You may work together, but each student must submit his/her own independent write up. Due via email the evening before class on Wednesday September 23.

Homework III

The third homework will be a problem set. You may work together, but each student must submit his/her own independent write up. Posted October 15. Due via email the evening before class on Wednesday October 28.

Homework IV

The fourth homework will be a problem set. You may work together, but each student must submit his/her own independent write up. Posted November 5. Due in class on November 12.

Referee reports

Students will complete one referee report. You may choose any paper on the syllabus. I will also occasionally add one or more current working papers to the list of possible papers in a week. The reports are due at midnight the evening before the lecture for which the paper is assigned. A referee report should contain:

- A one-half page to one page summary of the paper. The summary should not simply repeat the abstract. If there is a key equation in the paper, put it in the summary with the relevant context. The summary should also include an assessment of the paper’s contribution to the literature.

- Two to four pages of analysis of the paper. What did you like, what could be improved, and what did the authors just get wrong? Make your report a stand alone document, repeating
key arguments or equations from the paper as necessary before praising or critiquing them.

“Virtual” paper

This will be your main project for the course. The purpose of making the assignment a virtual paper is that I would rather you get 50% of the way toward a project you are excited to continue after the semester finishes than you complete a project in the timeframe of the course to which you will never return. You will formulate an original research idea, develop a practical plan for executing the idea, and take initial steps in the execution. The paper may take the following form:

1. Introduction: What is the question and why is the question of interest?

2. Literature Review: How does your paper fit into the broader literature?

3. Theoretical Motivation: This could be actual theory or just a sketch of the relevant theory that underlies your question.

4. Data: What data would you use to answer/address this question? Why are the data well suited to the question?

5. Empirical Methodology: How would you use the data to answer your question? Be explicit about identification and causality, keeping in mind that the same set of empirical facts can often support many theories. Depending on the nature of your question and the ease of accessing and using the data, I may ask you to make significant progress in the actual implementation of your proposed empirical work.

6. Falsification Tests: What other specifications, tests and investigations could either bolster or cast doubt upon the primary tests of your hypotheses?

7. Preliminary Results: The extent of the results provided will differ across students based on the project and discussions with me.

Deadlines for the virtual paper:

- **October 8**: Email me a two page write up of proposed idea. Please include “econ 2410” in the subject line.

- **October 12-13**: Meet with me to receive feedback on proposed idea.

- **November 19 and December 3**: Class presentations, 20 minutes per student.

- **December 10**: Papers due via email. Please include “econ 2410” in the subject line.

You may request approval from me to work jointly on the virtual paper. Of course the bar for sufficient progress will be higher for joint projects.
Audit policy

If you are a 3rd year or above and wish to audit the course, send me an email introducing yourself and so I can add you to the class list (as always, please include “econ 2410” in the subject line). Auditors are not required to complete the written assignments, but are expected to do the starred readings and participate in class. Subject to availability, you may present your work-in-progress at the end of the semester.
Course outline

1. Overview


2. Applied time series techniques (September 10)


3. Monetary and fiscal policy: Theory (September 17)

Homework I due and student presentations.


Jesús Fernández-Villaverde, Grey Gordon, Pablo Guerrán-Quintana, and Juan F. Rubio-Ramírez.


4. Monetary and fiscal policy: VARs (September 24)

Homework II due.


5. Monetary and fiscal policy: Narrative approach (October 1)


6. Fiscal policy: Cross-sectional evidence (October 15)


Emmanuel Farhi and Ivan Werning. Fiscal Multipliers: Liquidity Traps and Currency Unions.
7. Bank finance and macro (October 22)


8. Household finance and macro (October 29)


9. Labor search (November 5)


10. **Resource reallocation (November 12)**


Christopher Huckfeldt. Occupation Displacement and the Cyclical Cost of Job Loss. 2015. [https://huckfeldt.economics.cornell.edu/ODatCCoJL.pdf](https://huckfeldt.economics.cornell.edu/ODatCCoJL.pdf)

11. **Student presentations (November 19)**

12. **Student presentations (December 3)**