

ECON 915 – Advanced Topics in Macroeconomics

Instructor:

Thorsten V. Koepl

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Course Time and Location:

M 10 - 1 pm at Bioscience Complex 2111

Office Hours:

M 2 - 4 pm by appointment only

Note: A sign-up sheet is available on my office door.

Course Webpage:

<http://www.econ.queensu.ca/thor/Econ915>

Topic – Information Problems in Macroeconomics

The course is intended for students having passed their comprehensive exams. The goal of the course is to give an overview over existing research, to develop tools that students can use later on in their own research and to help students making a transition to independent research activities.

The course will cover a wide range of topics all of which are related to limited information problems and how they influence our thinking about a wide range of macroeconomic phenomena. It is divided into two parts. The first one studies the role of information asymmetries in incentive problems and focuses mainly on problems of taxation. The second one treats information as a choice variable. Here, the decision to acquire or use information is in the foreground and how such information transits through a decentralized economy.

Reading List (incomplete)

Part I – Information, Incentives and Taxation

Sargent and Ljungqvist (2004), Recursive Macroeconomic Theory, Chapter 20, 21 & 16

Kocherlakota (1996), Implications of Efficient Risk-Sharing without Commitment, Review of Economic Studies

Thomas & Worrall (1990), Income Fluctuation and Asymmetric Information: An Example of a Repeated Principal Agent Problem, Journal of Economic Theory

Golosov, Tsyvinski & Werning (2006), New Dynamic Public Finance: A User's Guide, NBER Macroeconomic Annual

Rogerson (1985), Repeated Moral Hazard, Econometrica

Kocherlakota (2005), Zero Expected Wealth Taxes: A Mirrless Approach to Dynamic Optimal Taxation, Econometrica

Fahri & Werning (2012), Capital Taxation: Quantitative Explorations of the Inverse Euler Equation, Journal of Political Economy

Fahri & Werning (2010), Progressive Estate Taxation, Quarterly Journal of Economics

Golosov, Kocherlakota & Tsyvinski (2003), Optimal Indirect and Capital Taxation, Review of Economic Studies

Fahri & Werning (2014), Bequest Taxation and $r - g$, mimeo

Part II – Information Choice

Veldkamp (2011), Information Choice in Macroeconomics and Finance, Chapters 4,5,6 & 9

Morris & Shin (2002), The Social Value of Public Information, American Economic Review

Reis (2006), Inattentive Producers, Review of Economic Studies

Mackowiak & Wiederholt (2009), Optimal Sticky Prices under Rational Inattention, American Economic Review

Mackowiak & Wiederholt (2014), Inattention and Rare Events, mimeo

Lorenzoni (2009), A Theory of Demand Shocks, American Economic Review

Angeletos & Pavan (2007), Efficient Use of Information and the Social Value of Information, Econometrica

Amador & Weill (2010), Learning from Prices: Public Communication and Welfare, Journal of Political Economy

Amador & Weill (2012), Learning from Private and Public Observation of Others' Actions, Journal of Economic Theory

Duffie, Malamud & Manso (2009), Information Percolation with Equilibrium Search Dynamics, Econometrica

Course Schedule:

Week 1 – Dynamic Contracts

Week 2 – Dynamic Taxation

Week 3 – New Public Finance

Week 4-6 – Student Presentations

Week 7 – Public vs. Private Information

Week 8 – Rational Inattention and Information Processing

Week 9 – Information Transmission

Week 10-12 – Student Presentations

Course Requirements:

1. Attend all lectures, the macro workshop and relevant events of the Weatherall visiting scholar program.
2. Read all the papers and book chapters that are directly relevant for the course meetings upfront.
3. Give a minimum of two presentations, of which one is a published paper from the relevant literature and the other one is a yet to be published working paper.
4. Write a referee report about the working paper that has been presented which is due one week after the presentation.
5. Write a research proposal that comprises a clearly defined research question, a motivation for the research, an outline of a model and projected results and an annotated biography. The deadline for the proposal is January 16, 2015.
6. Occasionally solve ad-hoc assignments for the next class meeting.