

CONTENTS

<i>Editor's Biography</i>	xix
<i>Contributors</i>	xxi
<i>Group Photos</i>	xivii
<i>Preface</i>	xxix
<i>Acknowledgements</i>	xxxii

Volume 2A

Section 1. The Facts of Economic Growth and Economic Fluctuation 1

1. The Facts of Economic Growth 3

C.I. Jones	
1. Growth at the Frontier	5
2. Sources of Frontier Growth	9
3. Frontier Growth: Beyond GDP	23
4. The Spread of Economic Growth	31
5. Conclusion	61
Acknowledgments	62
References	62

2. Macroeconomic Shocks and Their Propagation 71

V.A. Ramey	
1. Introduction	72
2. Methods for Identifying Shocks and Estimating Impulse Responses	74
3. Monetary Policy Shocks	88
4. Fiscal Shocks	111
5. Technology Shocks	135
6. Additional Shocks	151
7. Summary and Conclusions	152
Acknowledgments	154
References	154

3. Macroeconomic Regimes and Regime Shifts 163

J.D. Hamilton	
1. Introduction: Economic Recessions as Changes in Regime	164
2. Econometric Treatment of Changes in Regime	169
3. Economic Theory and Changes in Regime	187

4. Conclusions and Recommendations for Researchers	196
Appendix	197
Acknowledgments	198
References	198
4. The Macroeconomics of Time Allocation	203
M. Aguiar, E. Hurst	
1. Introduction	204
2. Trends in Market Work	205
3. A Theory of Time Use	210
4. Time-Use Data	217
5. Long-Run Trends in Time Use	220
6. Life Cycle Variation in Time Use	239
7. Conclusion and Discussion	250
Acknowledgments	252
References	252
5. Who Bears the Cost of Recessions? The Role of House Prices and Household Debt	255
A. Mian, A. Sufi	
1. Introduction	256
2. Who Bears Recession Risk? Existing Research	258
3. Zip Code-Level Consumption Measures	270
4. Housing Net Worth Shock and the Great Recession	274
5. Models Most Closely Related to These Facts	287
6. Aggregate Evidence on Household Debt	290
7. Conclusion	292
Acknowledgments	293
References	293
6. Allocative and Remitted Wages: New Facts and Challenges for Keynesian Models	297
S. Basu, C.L. House	
1. Introduction	298
2. Defining "The Wage"	302
3. Background and Related Literature	303
4. The Benchmark Model	314
5. Empirical Measures of Real Wages	324
6. Comparing the Model and the Data	339
7. Conclusion	348
Acknowledgments	351
References	351

7. Fiscal and Financial Crises	355
M.D. Bordo, C.M. Meissner	
1. Introduction	356
2. Historical Overview	358
3. Financial and Fiscal Crises: A Long-Run Review of Theoretical Developments	361
4. Empirics of Financial Crises Over the Long Run	372
5. Fiscal Crises, Banking Crises, and the Fiscal Crisis Trilemma	399
6. Conclusions	403
Acknowledgments	406
References	406
Section 2. The Methodology of Macroeconomics	413
8. Dynamic Factor Models, Factor-Augmented Vector Autoregressions, and Structural Vector Autoregressions in Macroeconomics	415
J.H. Stock, M.W. Watson	
1. Introduction	418
2. DFMs: Notation and Summary of Econometric Methods	421
3. DFMs for Macroeconomic Monitoring and Forecasting	440
4. Identification of Shocks in Structural VARs	443
5. Structural DFMs and FAVARs	471
6. A Quarterly 200+ Variable DFM for the United States	478
7. Macroeconomic Effects of Oil Supply Shocks	496
8. Critical Assessment and Outlook	514
Acknowledgments	517
References	517
9. Solution and Estimation Methods for DSGE Models	527
J. Fernández-Villaverde, J.F. Rubio-Ramírez, F. Schorfheide	
1. Introduction	530
Part I. Solving DSGE Models	531
2. Solution Methods for DSGE Models	531
3. A General Framework	534
4. Perturbation	540
5. Projection	577
6. Comparison of Perturbation and Projection Methods	619
7. Error Analysis	620
Part II. Estimating DSGE Models	627
8. Confronting DSGE Models with Data	627
9. Statistical Inference	650
10. The Likelihood Function	662

11. Frequentist Estimation Techniques	672
12. Bayesian Estimation Techniques	693
13. Conclusion	712
Acknowledgments	713
References	713
10. Recursive Contracts and Endogenously Incomplete Markets	725
M. Golosov, A. Tsyvinski, N. Werquin	
1. Introduction	726
2. A Simple Model of Dynamic Insurance	728
3. Advanced Topics	773
4. Applications	810
5. Conclusion	836
Acknowledgments	837
References	837
11. Macroeconomics and Household Heterogeneity	843
D. Krueger, K. Mitman, F. Perri	
1. Introduction	845
2. The Great Recession: A Heterogeneous Household Perspective	848
3. A Canonical Business Cycle Model with Household Heterogeneity	857
4. Calibration of the Benchmark Economy	863
5. Evaluating the Benchmark Economy	870
6. Cross-Sectional Household Heterogeneity and the Aggregate Dynamics of Consumption and Investment in a Severe Crisis	880
7. Inequality and Aggregate Economic Activity	899
8. Conclusion	908
Appendices	909
Acknowledgments	917
References	918
12. Natural Experiments in Macroeconomics	923
N. Fuchs-Schündeln, T.A. Hassan	
1. Introduction	924
2. Verification: The Permanent Income Hypothesis	928
3. Quantification: The Fiscal Multiplier	947
4. Identification: Causal Factors in Economic Growth	956
5. Critical Assessment and Outlook	989
Appendix	993
Acknowledgments	1005
References	1005

13. Accounting for Business Cycles	1013
P. Brinca, V.V. Chari, P.J. Kehoe, E. McGrattan	
1. Demonstrating the Equivalence Result	1018
2. The Accounting Procedure	1035
3. Applying the Accounting Procedure	1040
4. Conclusion	1058
Appendix	1060
Acknowledgments	1062
References	1062
14. Incomplete Information in Macroeconomics: Accommodating Frictions in Coordination	1065
G.-M. Angeletos, C. Lian	
1. Introduction	1067
2. Framework	1076
3. Imperfect Coordination	1085
4. Global Games: Theory	1098
5. Global Games: Applications	1112
6. Coordination and Synchronization	1125
7. Beauty Contests: Theory	1135
8. Beauty Contests: Applications	1157
9. Efficiency and Policy Implications	1200
10. Conclusion	1209
Appendix. Proofs	1211
Acknowledgments	1231
References	1231
15. New Methods for Macro-Financial Model Comparison and Policy Analysis	1241
V. Wieland, E. Afanasyeva, M. Kuete, J. Yoo	
1. Introduction	1243
2. Literature on Model Comparison and Policy Robustness	1244
3. A Systematic Approach to Model Comparison	1255
4. Practical Problems and a New Platform	1259
5. Comparing Fiscal and Monetary Policy Transmission Using the New Platform	1270
6. Comparing Implications of New Macro-Financial Models	1286
7. How to Assess Policy Robustness: An Illustrative Example	1312
8. Critical Assessment and Outlook	1315
Acknowledgments	1316
References	1316
<i>Index</i>	1321