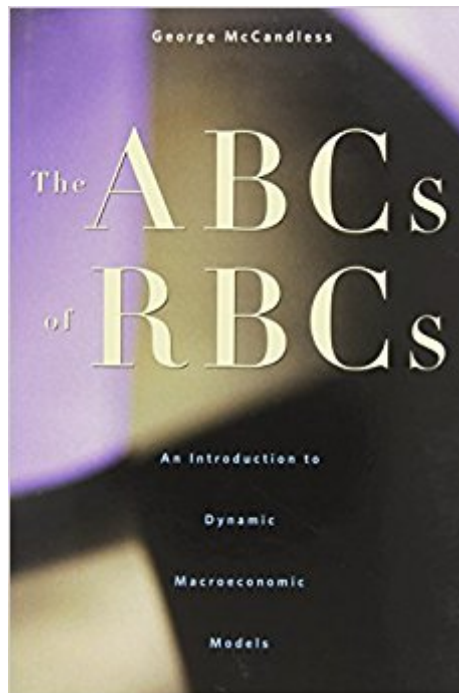


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The ABCs Of RBCs: An Introduction To Dynamic Macroeconomic Models



Synopsis

The ABCs of RBCs is the first book to provide a basic introduction to Real Business Cycle (RBC) and New-Keynesian models. These models argue that random shocks—new inventions, droughts, and wars, in the case of pure RBC models, and monetary and fiscal policy and international investor risk aversion, in more open interpretations—can trigger booms and recessions and can account for much of observed output volatility. George McCandless works through a sequence of these Real Business Cycle and New-Keynesian dynamic stochastic general equilibrium models in fine detail, showing how to solve them, and how to add important extensions to the basic model, such as money, price and wage rigidities, financial markets, and an open economy. The impulse response functions of each new model show how the added feature changes the dynamics. The ABCs of RBCs is designed to teach the economic practitioner or student how to build simple RBC models. Matlab code for solving many of the models is provided, and careful readers should be able to construct, solve, and use their own models. In the tradition of the “freshwater” economic schools of Chicago and Minnesota, McCandless enhances the methods and sophistication of current macroeconomic modeling.

Book Information

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Customer Reviews

The ABCs of RBCs fills an important gap in the textbook literature in modern macroeconomics. It presents, in a self-contained, agile fashion, a variety of dynamic macroeconomic models that are currently used to understand business cycles in developed as well as developing countries. (Martin

Uribe, Duke University) The ABCs of RBCs is a focused text that does exactly what it sets out to do, which is to explain the current techniques for the analysis of real business cycle models. A highly useful primer. (Kim Border, California Institute of Technology) For every economist who ever felt stymied by the process of numerically approximating equilibria of [RBC] models, and for all current and future graduate students who are or who will be aiming to learn this technology, this book is a truly wonderful treatment--a user's guide--to moving from the set of first-order conditions and budget and resource constraints that characterize the solutions to these models to putting these models on a computer and making them operational... This is a textbook in the truest sense--every word, diagram, and table have been assembled to make learning this technology as transparent as possible. For the most part, the exposition is truly outstanding. As you read the text, you feel as if they were detailed notes written by someone in the process of learning and distilling a lot of information about a difficult and nuanced topic. And this is exactly how it was done, as noted by McCandless in the text... While there is some overlap with other treatments in the literature, there are aspects of the book that are done better here than elsewhere... The book excels exactly where many texts do not by being remarkably transparent and explicit. If you occasionally feel that advanced economics textbooks are a bit like those impossible "how-to-assemble furniture instructions" we have all sweated over, this book is for you... This book would be a terrific fit in a first year graduate course in macroeconomics... or used in a second year course that focuses on quantitative analysis of macroeconomic models. (Lee E. Ohanian Journal of Economic Literature 2009-12-01)

George McCandless is an economist at the Central Bank of Argentina.

I bought this book because I was struggling in PhD level macro economics. This book is an excellent resource. It explains everything you need succinctly, and the intuition is far more obvious than in other texts. If I had bought this book last semester class would have made a LOT more sense. And nearly everything we have covered in the second semester is in this book. I HIGHLY recommend this book, particularly if you are getting bogged down by an overly technical primary text and want a supplement that doesn't lose the forest for the trees.

Great guide and reference on modern macro economics and real business cycles, as well as the growth literature that lead up to the idea. I was a first year grad student preparing for the qualifying exams when someone recommended this book to me. In class we used numerous books and this

wasn't one of them. The book is split in two parts and when I read over the table of contents I realized the first part followed nearly exactly the syllabus for the first macro class and likewise part two mirrored the second macro. So great for prelim review, as well as a reference tool going forward. Further, if you're trying to learn matlab as well, then there is code included at the end of many chapters.

Great book, lots of useful Matlab codes!

extremely clear, very insightful ... it's a pity that professors don't use it in most graduate level courses, it gives a lot of intuition in every macro problem.

good reference book

The book is the missing link in macroeconomic books. It covers most of the models and methodologies to simulate models in a self-contained book. This makes the book extremely useful for graduate students.

good book

It is strange to see that this book remains unknown by most students and professors. It is clearly an excellent and pedagogical treatise on how to design DSGE models. If you don't know anything about DSGE models, but that you know that you HAVE TO learn somehow how to do the job, then this is the book you want. Among the techniques taught along the book, you will find: Bellman equations and resolutions of dynamic optimization problems-log-linearization techniques, exposed in a way clearer manner than what is usually presented in the literature-resolution of dynamic systems based on different methodologies (Blanchard-Kahn, undetermined coefficients, linear quadratic approximation)-introduction of money in the model (cash-in-advance, money-in-utility)-introduction of frictions in the model (price stickiness, wage stickiness)-introduction of financial markets and monetary policy-introduction of open economy features. The book really is a masterpiece of pedagogy and nearly no details are missing. The author starts from the most basic model and progressively introduces more complex features. The book really takes you by the hand and teaches, step after steps, ALL the nasty and annoying techniques that you need so badly but that other textbooks usually skip. To my knowledge, this is one of the only (if not the only) book to do so.

There are very few typos in the book. Negative aspects of the book: very few. In my opinion, some important issues are tackled, but the coverage remains a bit too light. For example, open economy models are now massively used, but the book only offers a short chapter on the topic. The chapter is hardly useful since it contains only a version that is so basic that no one would actually use it for an actual paper. Further developments on the topic would have been welcome. The other main issue is about estimation techniques: the author relies exclusively on calibration techniques. However, recent works will use Bayesian methods, or at least maximum likelihood estimation. A further edition including these two techniques would be a great improvement. Meanwhile, one will have to rely on complementary textbooks such as Dejong and Dave's 'Structural macroeconometrics'. So overall a great book, indispensable if you're a beginner in the DSGE field, but that could be updated to get closer to current research methods.

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