

Course Syllabus

ECON 7335: Introduction to Information Economics

Spring 2023

Time and Place:

Tuesdays and Thursdays (first meeting March 16th)

9:40am - 10:55am

Uris Hall 302

Professor:

Ryan Chahrour

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Course Homepage: www.chahrour.net

Office Hours:

Mondays, 4:00pm-5:00pm (open)

Additional slots online via www.chahrour.net

Course Overview:

The course explores alternatives to the full-information, rational expectations paradigm with an emphasis on macroeconomic applications. This course is primarily theoretical. The course begins with a brief overview of techniques for inference and filtering under incomplete information. We then consider models of coordination games, imperfect foresight, rational inattention, adaptive learning, and bounded rationality. Assignments will consist of two problem sets and a research proposal.

Optional Text

- Laura Veldkamp. *Information Choice in Macroeconomics and Finance*. Princeton University Press, 2011

Course Outline

Week 1: Introduction to Inference and Filtering

Week 2: Static coordination games

- Stephen Morris and Hyun Song Shin. Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks. *The American Economic Review*, 88(3):pp. 587–597, 1998
- Stephen Morris and Hyun Song Shin. Social Value of Public Information. *The American Economic Review*, 92(5):pp. 1521–1534, 2002
- Ryan Chahrour and Gaetano Gaballo. Learning from House Prices: Amplification and Business Fluctuations. *The Review of Economic Studies*, 88(4), July 2021

Week 3: Dynamic models of incomplete information

- Michael Woodford. Imperfect common knowledge and the effects of monetary policy. NBER Working Paper, 2001
- Giacomo Rondina and Todd B. Walker. Confounding dynamics. *Journal of Economic Theory*, 196:105251, 2021
- Ryan Chahrour and Kyle Jurado. Recoverability and Expectations-Driven Fluctuations. *The Review of Economic Studies*, 89(1):214–239, 03 2021

Week 4: Information choice and rational inattention

- Sanford J. Grossman and Joseph E. Stiglitz. On the Impossibility of Informationally Efficient Markets. *The American Economic Review*, 70(3):pp. 393–408, 1980
- Bartosz Mackowiak and Mirko Wiederholt. Optimal Sticky Prices under Rational Inattention. *American Economic Review*, 99(3):769 – 803, 2009
- Filip Matějka and Alisdair McKay. Rational Inattention to Discrete Choices: A New Foundation For the Multinomial Logit Model. *American Economic Review*, 105(1):272–98, 2015
- Kyle Jurado. Rational inattention in the frequency domain. *Economic Research Initiatives at Duke (ERID) Working Paper*, (298), 2020

Week 5: News and THE News

- Ryan Chahrour and Kyle Jurado. News or Noise? The Missing Link. *American Economic Review*, 108(7):1702–36, 2018
- Bartosz Mackowiak and Mirko Wiederholt. Rational Inattention and the Business Cycle Effects of Productivity and News Shocks. 2020
- Ryan Chahrour and Kyle Jurado. Optimal foresight. *Journal of Monetary Economics*, 118:245–259, 2021
- Kristoffer P. Nimark and Stefan Pitschner. News media and delegated information choice. *Journal of Economic Theory*, 181:160 – 196, 2019

Week 6: Near-Rational Beliefs

- George-Marios Angeletos and Zhen Huo. Myopia and anchoring. Technical report, National Bureau of Economic Research, 2018
- Rava Azeredo da Silveira and Michael Woodford. Noisy memory and over-reaction to news. *AEA Papers and Proceedings*, 109:557–61, May 2019

- Mariana García-Schmidt and Michael Woodford. Are low interest rates deflationary? a paradox of perfect-foresight analysis. *American Economic Review*, 109(1):86–120, January 2019

Week 7: Adaptive learning in macro models

- Fabio Milani. Expectations, Learning and Macroeconomic Persistence. *Journal of Monetary Economics*, 54(7):2065 – 2082, 2007
- Stefano Eusepi and Bruce Preston. Expectations, Learning, and Business Cycle Fluctuations. *American Economic Review*, 101(6):2844 – 2872, 2011