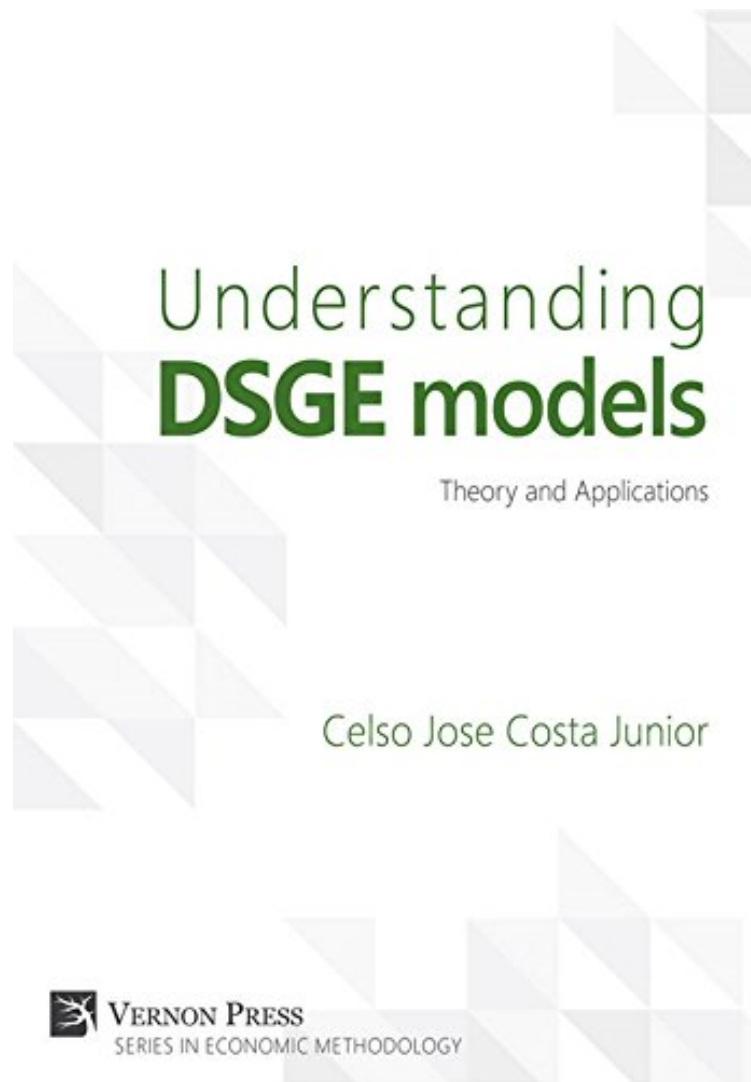


Understanding DSGE models: Theory and Applications

Celso Jose Costa Junior

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Celso Jose Costa Junior : Understanding DSGE models: Theory and Applications before purchasing it in order to gauge whether or not it would be worth my time, and all praised Understanding DSGE models: Theory and Applications:

0 of 0 people found the following review helpful. There is no better and more complete introduction to DSGE models! By International macro guy This is an outstanding introduction to the DSGE world for those who want to become acquainted with the basics of this technique. Although there are already terrific textbooks out there dealing with how to build this sort of models (The ABCs of RBCs by G. McCall, Introduction to Dynamic Macroeconomic General Equilibrium Models by J.L. Torres, Economic Dynamics in Discrete Time by J. Miao, Computational Macroeconomics for the Open Economy, by G. C. Lim and P.D. McNelis, etc.), Celso J. Costa's book

stands out in that it proves very successful in walking the reader through the whole process of setting up a complete Dynamic Stochastic General Equilibrium model, which can be at times daunting enough as to discourage the beginners from going on. This is precisely its main strength, one which puts itself ahead of the game: it really succeeds in explaining every step with clarity and detail. At the onset of every chapter, the author introduces the reader to the basic concepts underlying each model by using economic theory (full of intuition) every advanced undergraduate student of Economics should be comfortable with and then he presents the whole model and patiently teaches the reader how to derive the steady state and the log-linearization involved. The impulse-response functions are shown and interpreted. In addition, at the end of every chapter, Dynare codes for the models are exhibited. It is worth mentioning that the presentation is cumulative, that is to say, each model is built over the frictions introduced in the preceding chapter. The chapters of the book are the following: 1. Introduction 2. The Real Business Cycle model (RBC). 3. The Basic New-Keynesian model (NK). 4. The New-Keynesian model with sticky wages. 5. The New-Keynesian model with habit formation and non-ricardian agents. 6. The New-Keynesian model with investment adjustment costs and variable capacity utilization. 7. The New-Keynesian model with government. At the end of the book, a mathematical appendix helps the reader clarify some doubts which might have arisen as he or she works on the models, and a set of basic ideas related to DSGE models is provided as well. In a nutshell, Celso Costa's book is an indispensable book intended for the student, be the advanced Econ undergraduate, be the graduate (Masters and PhD) student, and for any researcher or practitioner avid to learn or enhance her knowledge of this modeling technique, and it makes a major contribution to the learning process of this kind of macroeconomic models. You are greatly encouraged to read it from cover to cover! 10 of 0 people found the following review helpful. A detailed, step-by-step, guide that serves well both novice and practitioners. By fcbarki This book takes the reader by the hand and walks her all the way through the difficult parts of building a DSGE. It shows how to get the first order conditions (FOC), derive the steady state and then (uf!!) log-linearize it all! The author prepared the most detailed narrative of the crucial steps in the process of modelling, but some key ideas are not explicit, such as the stochastic discount factors (aka. pricing kernels). I suppose the idea was to focus on the derivation process and let other books deal with the advanced topics of solving and estimating the models. Yet, this book is not only for novice users. As a practitioner I use it as a reference for specific equations on a daily basis. The didactic care put into laboriously showing so many deductions is exhilarating and well worth the reader's investment in time.

While the theoretical development of DSGE models is not overly difficult to understand, practical application remains somewhat complex. The literature on this subject has some significant obscure points. This book can be thought of, firstly, as a tool to overcome initial hurdles with this type of modeling. Secondly, by showcasing concrete applications, it aims to persuade incipient researchers to work with this methodology. In principle, this is not a book on macroeconomics in itself, but on tools used in the construction of this sort of models. It strives to present this technique in a detailed manner, thereby providing a step by step course intended to walk readers through this otherwise daunting process. The book begins with a basic Real Business Cycle model. Subsequently various frictions are gradually incorporated into a standard DSGE model: imperfect competition; frictions in prices and in wages; habit formation; non-Ricardian agents; adjustment cost; in investment; costs of not using the maximum installed capacity; and finally, Government.

"The Microfoundations, Intertemporal Decisions and Uncertainty is the center of modern macroeconomics, like Real Business Cycles Model and New Keynesian Model. The book Understanding DSGE written by Professor Costa Junior has the intention to introduce this literature to begin research, where some details about the elaboration of the model studied step by step. This type of approach is not found in other books that analyze this type of models. "The book's strong point is the determination of the State-Steady and its linearization in detail and how to put the equilibrium condition in the Dynare." Armando Vaz Sampaio - Adjunct Professor at Federal University of Paranaacute;. "This book teaches DSGE models from scratch. It explains the basic economic relations behind the models; discusses their assumptions; derives the results step by step; presents computer codes that solve each model covered in the book; and shows the results. The book will appeal to students, scholars and professionals interested in acquaint themselves with modern macroeconomics and to those searching for a detailed guide for solving DSGE models." Bernardo Guimaraes Sao Paulo School of Economics - FGV About the Author Celso Costa is Lecturer and Associated Researcher at the Brazilian Macro Center - Sao Paulo School of Economics (EESP) FGV recognized as one of the top schools of economics in Latin America. And Adjunct Professor at Universidade Estadual de Ponta Grossa - UEPG. Prior to his present roles, he completed a Post-doctorate in Economics at EESP. He holds a PhD in Economic Development from Universidade Federal do Paranaacute; - UFPR, a Masters degree in Economics from Universidade Estadual Paulista UNESP and a Bachelor degree in Geophysics from Universidade de Sao Paulo USP.