James Hamilton University of California, San Diego Economics 210A Fall 2001

# **Obtaining the Reading Material**

#### Books available at UCSD bookstore:

Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics*, MIT Press, 1996. This book is used quite extensively in this course and is a useful reference.

James D. Hamilton, *Time Series Analysis*, Princeton University Press, 1994. This book is used for reference material in Econ 210A, but will be required for use in future courses at UCSD.

Book available free by ordering from the Federal Reserve Bank of New York, or viewable directly online :

Ann-Marie Meulendyke, U.S. Monetary Policy and Financial Markets, , Federal Reserve Bank of New York, 1998, Chapters 1-4

#### **Journal articles:**

Hard copies of all articles are available in the Graduate Student Lounge (Room 106 of the Economics Building). Please <u>keep these articles in the lounge at all times</u>. You can also try to obtain the articles from the original sources referenced here. All of the books can be checked out from the Reserve Desk of the Social Science Library.

Alternatively, any of the articles can be downloaded online from <u>JSTOR</u> or other sources. The syllabus you are now reading can also be viewed as an HTML document on <u>http://weber.ucsd.edu/~jhamilto/econ210a.html</u>. If you are viewing this as an HTML document, clicking on any active link will take you immediately to the source where the article can be viewed online or downloaded. You will need the Adobe Acrobat Reader to view these, which <u>can be downloaded from Adobe</u>.

# **Grading Policy**

# Grades for Econ 210A will be determined as follows:

20%: Problem Sets. You may work together on these, but must hand in your own write-up of the answers. These are used as a study guide and supplement to the reading and lectures. You can expect to see similar questions on the exams.

30%: Midterm Exam. This will be on Wednesday, October 17. No books or notes allowed.

50%: Final Exam. This will be on Friday, Dec. 7, from 9:00a.m. to noon. No books or notes allowed.

# **Course Outline**

# I. ECONOMIC GROWTH

## A. Simple two-period models

Obstfeld and Rogoff, Chapter 1

# **B.** Solow-Swan growth model

Obstfeld and Rogoff, Section 7.1.1

N. Gregory Mankiw, David Romer, and David Weil, "A Contribution to the Empirics of Economic Growth," <u>Quarterly Journal of Economics</u>, 107, May 1992, pp. 407-437

James D. Hamilton and Josefina Monteagudo, "The Augmented Solow Model and the Productivity Slowdown, *Journal of Monetary Economics*, 42, December 1998, pp. 495-509

#### C. Budget constraints in infinite-lived economics

Obstfeld and Rogoff, Chapter 2

Obstfeld and Rogoff, Section 3.1

### **D. Ramsey-Cass-Koopmans model**

Obstfeld and Rogoff, Section 7.1.2.1

# E. Fiscal policy in the neoclassical growth model

Robert J. Barro, "The Neoclassical Approach to Fiscal Policy," pp. 178-135 in Robert J. Barro, ed., Modern Business Cycle Theory, 1989, Cambridge, MA: Harvard University Press

Paul Evans, "Do Large Deficits Produce High Interest Rates?" <u>American Economic Review</u> 75, March 1985, pp. 68-87

## F. Evaluating neoclassical growth models

Robert M. Solow, "Technical Change and the Aggregate Production Function," <u>Review of Economics and</u> <u>Statistics</u>, 39, August 1957, pp. 312-320

Chrys Dougherty and Dale W. Jorgenson, "International Comparisons of the Sources of Economic Growth," American Economic Review, 86, May 1996, pp. 25-29

Angus Maddison, "Growth and Slowdown in Advanced Capitalist Economies," <u>Journal of Economic</u> <u>Literature</u>, June 1987, pp. 649-698

Alwyn Young, "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience," *Quarterly Journal of Economics*, 110, August 1995, pp. 641-680

Obstfeld and Rogoff, Section 7.2

Robert J. Barro, "Economic Growth in a Cross Section of Countries," <u>Quarterly Journal of Economics</u>, 106, May 1991, pp. 407-443

Robert E. Hall and Charles I. Jones, "Why Do Some Countries Produce so Much More Output per Worker than Others?", *Quarterly Journal of Economics*, 114, February 1999, pp. 83-116

John Luke Gallup and Jeffrey D. Sachs, "Geography and Economic Development, <u>Harvard Center for</u> International Development Paper No. 39, 1999.

# G. Endogenous growth models

Obstfeld and Rogoff, Section 7.2

# **II. ECONOMIC FLUCTUATIONS**

# A. Dynamic models with uncertainty-- complete financial markets

Obstfeld and Rogoff, Sections 5.1 and 5.2

#### B. Dynamic models with uncertainty-- incomplete financial markets

Obstfeld and Rogoff, Sections 5.3 and 5.4

#### C. Linear difference equations

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### Hamilton, Chapter 1

# **D.** Lag operators

Hamilton, Chapter 2

## E. ARMA Processes and VAR's

Hamilton, Sections 3.1-3.5, 4.1-4.2, 10.1-10.2

#### F. Real business cycle models

John Y. Campbell, "Inspecting the Mechanism: An Analytical Approach to the Stochastic Growth Model," *Journal of Monetary Economics*, 33, June 1994, pp.463-506.

# G. Empirical descriptions of economic fluctuations

Wesley Mitchell, *What Happens During Business Cycles*, Chapters 3 and 4, pp. 9-50, New York: National Bureau of Economic Research, Studies in Business Cycles No. 5, 1951.

Hamilton, Section 6.2

James H. Stock and Mark W. Watson, "Business Cycle Fluctuations in U.S. Macroeconomic Time Series," NBER Working Paper 6528, April 1998

# H. Keynesian models

Thomas J. Sargent, Macroeconomic Theory, Second edition, Academic Press, 1987, Chapters 1 and 2.

# **III. MONETARY POLICY**

#### A. Cash-in-advance models

Andrew B. Abel, "Dynamic Behavior of Capital Accumulation in a Cash-in-Advance Model," *Journal of Monetary Economics*, 16, July 1985, pp. 55-71

#### B. Empirical evidence on money and nominal variables

Robert C. Vogel, "The Dynamics of Inflation in Latin America, 1950-1969," <u>American Economic Review</u> 64, March 1974, pp. 102-114

George T. McCandless, Jr., and Warren E. Weber, "Some Monetary Facts," <u>*Quarterly Review of the Federal Reserve Bank of Minneapolis*, Summer 1995, pp. 2-11.</u>

James R. Lothian, "Equilibrium Relationships between Money and Other Economic Variables," <u>American</u> <u>Economic Review</u> 75, September 1985, pp. 828-835

Thomas J. Sargent, "The Ends of Four Big Inflations," pp. 41-97, in Robert E. Hall (ed.), *Inflation: Causes and Effects*, University of Chicago Press, 1982. Reprinted in Thomas J. Sargent (ed.), *Rational Expectations and Inflation*, pp. 40-109, New York: Harper and Row, 1986

#### C. Empirical evidence on money and real variables

A. W. Phillips, "The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1862-1957," *Economica* 25, November 1958, pp. 283-299.

James D. Hamilton, "Monetary Factors in the Great Depression," *Journal of Monetary Economics* 19, March 1987, pp. 145-169.

Ben Bernanke and Harold James, "The Gold Standard, Deflation, and Financial Crisis in the Great Depression: An International Comparison," pp. 33-68 in R. Glenn Hubbard, ed., *Financial Markets and Financial Crises*, 1991, Chicago: University of Chicago Press.

## **D. U.S. Monetary Institutions**

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E. Limited participation models Models: A Comparison," *European Economic Review*, 41, 1997, pp. 1201-1249