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Fall 2006 UCSD

Economics 210A – First Year Graduate Macroeconomics

210A lays the theoretical groundwork for studying macroeconomic issues. We will begin by studying the basic growth facts and growth framework. As part of the theory, we will discuss various methods for dynamic optimization. In the last part, we will cover theoretical foundations of monetary models.

Useful textbooks:

Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, 2nd edition.

Olivier Blanchard and Standley Fischer, *Lectures on Macroeconomics*, 1989.

Lars Ljungqvist and Thomas Sargent, *Recursive Macroeconomic Theory*, 2nd edition.

David Romer, *Advanced Macroeconomics*, 3rd edition.

Nancy Stokey, Robert Lucas, Edward Prescott, *Recursive Methods in Economic Dynamics*, 1989.

Journal articles

Most of the journal articles are available on-line, from either jstor.org or other sources. Any required articles not available on-line will be made available for check-out in the graduate student lounge.

* indicates required reading.

Grades

20%: Problem Sets. You may work on these together, but must hand in your own write-up of the answers.

30%: Midterm Exam.

50%: Final Exam.

I. Introduction to Macroeconomics

A. The Big Questions

B. Brief History of Macroeconomic Thought

John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, 1935.

John Richard Hicks, "Mr. Keynes and the Classics: A suggested simplification," *Econometrica* 1937.

Milton Friedman and Anna Schwartz, *A Monetary History of the United States, 1867-1960*, 1963.

John Muth, "Rational Expectations and the Theory of Price Movements," *Econometrica* , 1961.

Milton Friedman, "The Role of Monetary Policy," *American Economic Review*, March 1968.

Robert Lucas, "Econometric Policy Evaluation: A Critique," *Carnegie-Rochester Conference Series on Public Policy*, Vol. 1, 1976.

Finn Kydland and Edward Prescott, "Time-to-Build and Aggregate Fluctuations," *Econometrica*, Nov. 1982.

John Long and Charles Plosser, "Real Business Cycles," *Journal of Political Economy*, Feb. 1983.

Laurence Ball, N. Gregory Mankiw, and David Romer, "The New Keynesian Economics and the Output-Inflation Trade-off," *Brookings Papers on Economic Activity*, I: 1988.

Marvin Goodfriend and Robert King, "The New Neoclassical Synthesis and the Role of Monetary Policy," *NBER Macroeconomics Annual*, 1997.

II. Dynamic Optimization Methods

A. Optimal Control

* A.K. Dixit, *Optimization in Economic Theory*, 2nd edition, Ch. 10.

Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, 2nd edition, Appendix on Mathematical Methods, pp. 604-618.

B. Dynamic Programming

A.K. Dixit, *Optimization in Economic Theory*, 2nd edition, Ch. 11.

* Lars Ljungqvist and Thomas Sargent, *Recursive Macroeconomic Theory*, 2nd edition, Ch. 2.

Nancy Stokey, Robert Lucas, Edward Prescott, *Recursive Methods in Economic Dynamics*, 1989.

III. Economic Growth

A. Growth Facts and Growth Accounting

Romer, Section 1.1

* Barro and Sala-i-Martin, “Introduction.”

* Robert M. Solow, “Technical Change and the Aggregate Production Function,” *Review of Economic and Statistics* 39 (August 1957): 312-320.

Romer, Section 1.7

* Dale Jorgenson and Kevin Stiroh, “Raising the Speed Limit: U.S. Economic Growth in the Information Age,” *Brookings Papers on Economic Activity*, 2000:I.

B. Solow-Swan Growth Model

Robert Solow, “A Contribution to the Theory of Economic Growth,” *Quarterly Journal of Economics*, 70 (February 1956): 65-94..

* Romer, Ch. 1.

Barro and Sala-i-Martin, Ch. 2.

C. Ramsey Model

* Romer, Sections 2.1-2.7.

Blanchard and Fisher, Ch. 2.

D. Ramsey Model with Endogenous Labor Supply

* Barro and Sala-i-Martin, Section 9.3.

E. Ramsey Model with Government Spending

* Marianne Baxter and Robert King, "Fiscal Policy in General Equilibrium," *American Economic Review* 83 (June 1993): 315-334.

F. Models with Endogenous Growth

* Barro and Sala-i-Martin, Chapter 4.

* Robert Lucas, "On the Mechanics of Economic Development," *Journal of Monetary Economics* 22 (July 1988): 3-42.

G. Empirical Tests

* Robert J. Barro, "Economic Growth in a Cross-Section of Countries," *Quarterly Journal of Economics*, 106 (May 1991): 407-443.

* N. Gregory Mankiw, David Romer, and David Weil, "A Contribution to the Empirics of Economic Growth," *Quarterly Journal of Economics*, 107 (May 1992): 407-437.

Daron Acemoglu, Simon Johnson, and James Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (December 2001): 1369-1401.

IV. Overlapping Generations Models

* Romer, Section 2.8-2.12

Blanchard and Fisher, Ch. 3

* Robert Barro, “Are Government Bonds Net Wealth?” *Journal of Political Economy*, 82 (November-December 1974): 1095-1117.

V. Introduction to Monetary Models

* Blanchard and Fisher, Ch. 4.

* Paul Samuelson, “An Exact Consumption-Loan Model of Interest with or without the Social Contrivance of Money,” *Journal of Political Economy* 66 (December 1958): 467-482.

* Robert Lucas and Nancy Stokey, “Money and Interest in a Cash-in-Advance Economy,” *Econometrica* 55 (1987): 491-513.