

# EC750.01 MACROECONOMIC THEORY

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## Reading material and course organization

The three basic sources of information for the course are:

- 1) David Romer, **Advanced Macroeconomics**, 1999, McGraw-Hill (DR for short)
- 2) Olivier Jean Blanchard and Stanley Fisher, **Lectures on Macroeconomics**, 1989, MIT Press (BF for short)
- 3) Barro, R.J., and X. Sala-I-Martin, **Economic Growth**, 1995, New York, McGraw-Hill. (BSM for short)

Romer's book is necessary, but not sufficient. I will supplement it with Blanchard and Fisher. I will also use (sparingly) the Notes and Study Guide to Blanchard and Fisher written by Stephen Cecchetti (SC for short). For the section on growth (in particular endogenous growth) I will use mainly Barro and Sala-I-Martin. I will also direct you to the original papers. This is going to be particularly true for the section on applied growth.

## Course outline

- 1) Trends and Fluctuations in Aggregate Data: The Facts and Some Background.

DR, Chapter 4.8.

BF, Chapter 1.1.

BSM, Chapter 12

2) The Solow Growth Model.

DR, Chapter 1.1-1.7.

BSM, Chapter. 1.

3) The Ramsey Model.

DR, Chapter 2.1-2.9.

BF, Chapter 2.1-2.3.

BSM, Chapter 2

4) The Overlapping Generations Model.

a) The Samuelson Endowment Economy.

SC, Lecture 5.

b) The Diamond Model With Production:.

DR, Chapter 2.10-2.14.

BF, Chapter 3.1-3.3 (excluding intergenerational altruism).

c) Intergenerational Altruism, Social Security and Ricardian Equivalence.

BF, Chapter 3.1, pp. 104-114.

SC, Lecture 7.

5) Endogenous Growth

a) One Sector Models of Endogenous Growth

BSM, Chapter 4

b) Two Sectors Models of Growth

DR, Chapter 3, Part A

BSM, Chapter 5

c) Technological Change: Models with Expanding Variety of Products

BSM, Chapter 6.1

d) Technological Change: Models with Improvements in the Quality of Products.

BSM, Chapter 7

Aghion, P. and P. Howitt, Endogenous Growth Theory, 1999, MIT Press, Chapter 2 and 3.

6) Empirical Analysis of Growth Rates

Barro and Sala-I-Martin, Chapter 12

Pritchett, L., "Divergence Big Time", Journal of Economic Perspective, 11, no.3, 1997, pp. 3-17.

De Long, B. and L. H. Summers, "Equipment Investment and Economic Growth", Quarterly Journal of Economics, 106, no.2, May 1991, pp.445-502.

De Long, B. and L. H. Summers, "How Strongly Do Developing Economies Benefit from Equipment Investment?", Journal of Monetary Economics, 32, December 1993,

Young, A., The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience , QJE, August 1995, pp. 641-680.

Kremer, M., Population Growth and Technological Change: One Million B.C. To 1990 , QJE, August 1993, pp.681-716.

Jones, C.I., R&D-Based Models of Economic Growth , JPE, vol. 103, n.4, 1995, pp. 759-784.

Mankiw, G., Romer, D., and D.N. Weil, A Contribution to the Empirics of Economic Growth , May 1992, pp. 407-437.

Aghion, P. and P. Howitt, Endogenous Growth Theory, 1999, MIT Press, Chapter 12 .

Klenow, P. and A. Rodriguez-Clare, "The Neoclassical Revival in Growth Economics: Has It Gone Too Far?", in Bernanke, B., and J. Rotemberg, eds, NBER Macroeconomic Annual 1997, 1997, Cambridge, MA, MIT Press.

Easterly, W. and R. Levine, "It Is Not Factor Accumulation: Stylized Facts and Growth Models", 2000, World Bank mimeo.