

EC750A MACROECONOMIC THEORY

Fall 1997

Part 1

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Reading material and course organization

The two basic sources of information (for this and for the following sections of Macroeconomic Theory) are:

- 1) David Romer (1996), **Advanced Macroeconomics**, McGraw-Hill (DR for short)
- 2) Olivier Jean Blanchard and Stanley Fisher (1989), Lectures on Macroeconomics, MIT Press (BF for short)

Romer's book is necessary, but not sufficient. I will supplement it with Blanchard and Fisher. I will also use the Notes and Study Guide to Blanchard and Fisher written by Stephen Cecchetti (SC for short). Where appropriate I will also direct you to the original papers. Finally it may be useful for some of the students to have some more details on some of the introductory material I will be covering. There are several options here, including old books that you may be familiar with. I will be suggesting a few selected chapters out of the book of Bennet T. McCallum (1989), **Monetary Economics: Theory and Policy**, MacMillan (MC for short). The relevant material will be available in the reserve section of the library.

Course outline

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

DR, Section 4.8.

BF, Section 1.1.

Nelson, C. and C. Plosser, "Trends and random Walks in Macroeconomics", JME, September 1982, 10, 139-162.

Campbell, J. and N.G. Mankiw, "Are Output Fluctuations Transitory?", QJE, November 1987, 857-880.

Blanchard, O. and D. Quah, "The dynamic Effects of Aggregate Demand and Supply Disturbances", AER, 79, September 1989, 655-673.

Traditional Keynesian Theories of Fluctuations

a) Review of the standard IS/LM and Aggregate Demand-Aggregate Supply Models.

DR, Sections 5.1-5.6.

MC, Sections 5.1-5.8

b) An Introduction to Imperfect Informations Models and to Nominal Rigidities.

DR, Sections 6.1-6.8 (selectively).

MC, Section 8.1 and Appendix to Ch. 8 (on Rational Expectations), Sections 9.1-9.6, 10.1-10.4, 11.1-11.3.

3) The Solow Growth Model.

DR, Sections 1.1-1.7.

4) The Ramsey Model.

DR, Sections 2.1-2.9.

BF, Sections 2.1-2.3.

5) The Overlapping Generations Model.

a) The Samuelson Endowment Economy.

SC, Lecture 5.

b) The Diamond Model With Production:.

DR, Sections 2.10-2.14.

BF, 3.1-3.3 (excluding intergenerational altruism).

c) Intergenerational Altruism, Social Security and Ricardian Equivalence.

BF, Section 3.1, pp. 104-114.

C. Lecture 7.

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