

# EC750.01 MACROECONOMIC THEORY

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## Reading material and course organization

The two basic sources of information for the course 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 and Some Background.

DR, Chapter 4.8.

BF, Chapter 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.

Econometric Background: Walter Enders, **Applied Econometric Time Series**, Chapter 2.1-2.7, 3.1, 3.8-3.11

2) The Solow Growth Model.

DR, Chapter 1.1-1.7.

R.J. Barro and X.Sala-I-Martin, **Economic Growth**, McGraw Hill, 1995, Chapter. 1.

3) The Ramsey Model.

DR, Chapter 2.1-2.9.

BF, Chapter 2.1-2.3.

4) Empirical Analysis of Growth Rates

Barro and Sala-I-Martin, Chapter 12

5) 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.

6) Traditional Keynesian Theories of Fluctuations: Review of the Standard IS/LM and Aggregate Demand-Aggregate Supply Models.

a) Closed Economy

DR, Chapter 5.1-5.6.

MC, Chapter 5.1-5.8

b) Open Economy

Rudiger Dornbush, **Open Economy Macroeconomics**, Basic Books, 1980, Chapter 10, 11.

7) Microeconomic Foundations of Incomplete Nominal Adjustment

a) The Lucas Imperfect Information Model

DR, Chapter 6.1-6.4

b) Staggered Price Adjustment

DR, Chapter 6.4-6.15

BF, 8.1-8.4