

BOSTON COLLEGE  
Department of Economics

EC 751, Macroeconomic Theory IIa  
Spring 1997

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Carney 333, x3688

Starred readings are required and will be on reserve in O'Neill Library. The main background text, Advanced Macroeconomics by David Romer, is available for purchase at the bookstore.

1. Consumption (continued)

(e) Precautionary Saving

\*Romer, Section 7.6.

\*Deaton, Chapter 6.1.

\*Blanchard, O. and N.G. Mankiw, "Consumption: Beyond Certainty Equivalence," American Economic Review, 78, May 1988, 173-77.

Caballero, R., "Consumption Puzzles and Precautionary Savings," Journal of Monetary Economics, 25, January 1990, 113-36.

Kimball, M., "Precautionary Saving in the Small and in the Large," Econometrica, 58, January 1990, 53-73.

\*Dyner, K., "How Prudent are Consumers?" Journal of Political Economy, 1993.

(f) Intertemporal Substitution

\*Deaton, Chapter 2.2.

\*Mankiw, N.G., Rotemberg, J. and L. Summers, "Intertemporal Substitution in Macroeconomics," QJE, February 1985, 225-252.

\*Hall, R., "Intertemporal Substitution in Consumption," JPE, 96, April 1988, 339-357.

Altonji, J., "Intertemporal Substitution in Labor Supply: Evidence from Micro Data," JPE, 94, June 1986, S176-S213.

Weil, P., "Nonexpected Utility in Macroeconomics," QJE, 105, February 1990, 29-42.

2. Asset Pricing

\*Romer, Section 7.5.

\*Blanchard and Fischer, Section 10.1.

\*Mankiw, N.G., and M. Shapiro, "Risk and Return: Consumption Beta versus Market Beta," Review of Economics and Statistics, 1986, 452-459.

Mankiw, N.G., "The Equity Premium and the Concentration of Aggregate Shocks," Journal of Financial Economics, 17, September 1986, 211-219.

Mankiw, N.G. and S. Zeldes, "The Consumption of Stockholders and Nonstockholders," Journal of Financial Economics, 29, March 1991, 97-112.

Epstein, L. and S. Zin, "Substitution, Risk Aversion, and the Temporal Behavior of Consumption and Asset Returns: A Theoretical Framework," Econometrica, 57, July 1989, 937-69.

Constantinides, G., "Habit Formation: A Resolution of the Equity Premium Puzzle," Journal of Political Economy, 98, 1990, 519-43.

\*Mankiw, N.G., "The Term Structure of Interest Rates Revisited," Brookings Papers on Economic Activity, 1:1986, 61-96.

Shiller, R.J., "The Term Structure of Interest Rates," in Handbook of Monetary Economics, Vol. 1, B.Friedman and F Hahn, eds., Elsevier, 1990.

### 3. Saving, Wealth and Fiscal Policy

\*Deaton, Chapter 2.1.

Summers, L., "Capital Taxation and Accumulation in a Life Cycle Model," AER, September 1981, 533-644.

Ando, A. and A. Kennickell, "How Much (or little) Life Cycle is There in Microdata? The Cases of U.S. and Japan," in Macroeconomics and Finance, R. Dornbusch and S. Fischer, eds., MIT Press, 1987, 159-228.

Hayashi, F., "Why is Japan's Saving Rate So Apparently High?" NBER Macroeconomics Annual 1986, 147-234.

\*Bernheim, D., "Ricardian Equivalence: An Evaluation of Theory and Evidence," in NBER Macroeconomics Annual 1987, S. Fischer, ed., 263-315.

\*Wilcox, D., "Social Security Benefits, Consumption Expenditure, and the Life Cycle Hypothesis," JPE, 97, April 1989, 288-304.

\*Wilcox, D., "The Sustainability of Government Deficit: Implications of the Present-Value Borrowing Constraint," JMCEB, 21, August 1989, 291-306.

### 4. Investment

#### (a) The Classics

\*Romer, Section 8.1.

Hall, R. and D. Jorgenson, "Tax Policy and Investment Behavior," AER, 57, June 1967, 391-414.

Clark, P., "Investment in the 1970s: Theory, Performance, and Prediction," Brookings Papers on Economic Activity, 1979:1, 73-124.

(b) Adjustment Costs and Tobin's Q

\*Romer, Sections 8.2-8.5.

\*Summers, L., "Taxation and Corporate Investment: A q-Theory Approach," Brookings Papers on Economic Activity, 1981:1, 67-127.

(c) Uncertainty and Irreversibility

\*Romer, Section 8.6

Bernanke, B., "Irreversibility, Uncertainty, and Cyclical Investment," QJE, 98, February, 1993, 85-106.

Dixit, A. and R. Pindyck, Investment under Uncertainty, Princeton: Princeton University Press, 1994.

(d) Financial Market Imperfections

\*Romer, Sections 8.7-8.8.

Bernanke, B. and M. Gertler, "Agency Costs, Net Worth, and Business Fluctuations," AER, 79, March 1989, 14-31.

Bernanke, B. and C. Lown, "The Credit Crunch," Brookings Papers on Economic Activity, 1991:2, 205-247.