

**Boston College  
Department of Economics**

**EC751 Macroeconomic Theory II  
Module 2  
Spring 1998**

**Fabio Schiantarelli  
246 Carney Hall  
Tel. 552-4512**

Reading Material

The two basic sources of information 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)

Course Outline

1) **Investment**

a) The Classics

DR: 8.1-8.6

BF: 6.1-6.3

Jorgenson D., and R. Hall (1967), "Tax Policy and Investment Behavior", American Economic Review, 57, June, pp. 247-259.

Hayashi, F. (1982), "Tobin's Marginal Q and Average Q: A Neoclassical Interpretation", Econometrica, pp. 213-224.

b) Investment and Financing Constraints

DR: 8.7-8.8

Gertler, M. and R.G. Hubbard (1989), "Financial Factors in Business Cycle Fluctuations", in **Financial Market Volatility: Causes, Consequences, and Policy Recommendations**, federal Reserve Bank of Kansas City.

Fazzari, S., R.G. Hubbard, and B. Petersen (1988), "Financing Constraints and Corporate Investment", Brookings Papers on Economic Activity, 1, pp. 141-195.

Schiantarelli, F. (1996) "Financial Constraints and Investment: Methodological Issues and International Evidence", Oxford Review of Economics Policy, Vol. 12, No. 2, pp. 70-89, also in **Is Bank Lending Important for the Transmission of Monetary Policy?**, edited by J. Peek and E.S. Rosengren, Federal Reserve Bank of Boston, Conference Series No. 39, June 1995.

c) Investment and Fixed costs

R. J Caballero, (1997), "Aggregate Investment", National Bureau of Economic Research Working Paper No. 6264.

2) **Monetary Policy**

a) Introduction

DR: 9.1-9.3

b) The Overlapping Generation Model with Money

BF: 4.1

c) The Cash in Advance Constraint

BF: 4.2

d) Time Inconsistency

DR: 9.4-9.5

BF: 11.4-11.5

e) Seniorage

DR: 9.7

BF: 4.7

3) **Unemployment**

a) Efficiency wages

DR: 10.1-10.4

BF: 9.4

b) Implicit Contracts

DR: 10.5

BF: 9.1-9.2

c) Union Models

DR: 10.6

BF: 9.3

d) Search and Matching Models

DR: 10.8-10.9