Econ 5250 Macroeconomic Theory 1

Fall 2014
Instructor: Pengfei Wang
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Office Hours: 4:30-6:00 Tuesday or by appointment

Requirements

Homework:	10%
Class Participation:	10%
Midterm Exam:	30%
Final Exam:	50%

Textbooks

D.Romer, Advanced Macroeconomics (required).

L. Ljungqvist and T. Sargent, Recursive Macroeconomic Theory, (optional).

Course Outline

Part 1. Introduction to Macroeconomics (1 week)

1. What is Macroeconomics about?

   Romer "Introduction"

2. The revolution of Macroeconomic Theory

Olivier Blanchard, "What do we know about macroeconomics that Fisher and Wicksell did not?" , QJE 115, no.4 (November 2000): 1375-1410

Woodford, M., "Revolution and Evolution in Twentieth-Century Macroeconomics."

N. Gregory Mankiw, "The Macroeconomist as Scientist and Engineer."

V. V. Chari and Patrick J.Kehoe, "Modern Macroeconomics in Practice: How Theory Is Shaping Policy."

2. Introduction to Dynamic Program

Part 2. Growth Theory (4 weeks)

1. Solow Model (1 week)

   D.Romer, Chapter 1

2. The Ramsey-Cass-Koopmans Model (2 weeks)

   D.Romer, Chapter 2

3. Endogenous Growth Theory (1 weeks)

   Paul Romer, "Endogenous technological change," Journal *of Political Economy* 98 (Part 2), S71-S102.

   Lucas, Robert, E. Jr. "On the Mechanics of Economic Development," *Journal of Monetary Economics,* Vol. 22, 1988:3--42

Part 3. Classic Real Business Cycle Theory (4 weeks)

1. The canonical Real Business cycle model (3 weeks)

   R. King, S. Rebelo, and C. Plosser, "Production, growth, and the business cycle,"JME 21 (1988), 195-232.

   Lecture note on Calibration, log-linearization, and solution methods.

   D. Romer, Chapter 4.

   Models with adjustment costs

2. Indeterminacy and Sunspots (1 week)

Benhabib, J, and R.E Farmer (1994), "Indeterminacy and increasing return", Journal of Economic Theory 63: 19-41

Wen Y. (1994), "Capacity utilization under increasing return to scale", Journal of Economic Theory.

3. Firm Entry and Exit (1 week)

Part 4. Consumption Based Asset pricing

D. Romer Charpter 7

Implication for Asset pricing:

Larry G. Epstein; Stanley E. Zin, Substitution, Risk Aversion, and the Temporal Behavior of Consumption and Asset Returns: An Empirical Analysis, JPE, Vol. 99, No. 2. (Apr., 1991), pp. 263-286.

Urban J. Jermann, "Asset pricing in production economies" , Journal of Monetary Economics, Volume 41, Issue 2, 27 February 1998, Pages 257-275.

Welfare cost of Business Cycle:

Part 5. Models with financial frictions (2 weeks)

D.Romer , Chapter 8

Douglas Gale, Martin Hellwig, "Incentive-Compatible Debt Contracts: The One-Period Problem", The Review of Economic Studies, Vol. 52, No. 4. (Oct., 1985), pp. 647-663.

Charles T. Carlstrom; Timothy S. Fuerst, "Agency Costs, Net Worth, and Business Fluctuations: A Computable General Equilibrium Analysis", *The American Economic Review*, Vol. 87, No. 5. (Dec., 1997), pp. 893-910.

Nobuhiro Kiyotaki and John Moore (1997), "Credit Cycles." Journal of Political Economy, 1997, 105(2), pp. 211–48"

Bengt Holmstrom; Jean Tirole (1997), "Financial Intermediation, Loanable Funds, and the Real Sector'', *The Quarterly Journal of Economics*,, Vol. 112, No.3, pp663-691.''