

MACROECONOMIC THEORY

Office hours:

David Romer: Th 2:00–4:00, 679 Evans

Evan Rose (GSI for the first half): W 3:30–5:30, 640 Evans

Nick Sander (GSI for the second half): W 3:30–5:30, 640 Evans

Midterm exam: Thursday, Oct. 6, in class.

Final exam: Friday, Dec. 16, 3–6 PM (subject to final determination by the registrar's office).

I. Introduction: Current Crises in Macroeconomics

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*Matthew Rognlie, "A Note on Piketty and Diminishing Returns to Capital," unpublished paper, M.I.T. (June 2014). http://www.mit.edu/~mrognlie/piketty_diminishing_returns.pdf

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III. The Ramsey-Cass-Koopmans Model and Dynamic Optimization

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 2, Part A.

Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth*, second edition (Cambridge: MIT Press, 2004), Chapter 2 and Appendix A.3 (at end of book).

Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, second edition (Cambridge: MIT Press, 2004), Chapter 3.

*Maurice Obstfeld, "Dynamic Optimization in Continuous-Time Economic Models (A Guide for the Perplexed)," unpublished paper, U.C. Berkeley, April 1992. Sections I and II. <http://www.econ.berkeley.edu/~obstfeld/ftp/perplexed/cts4a.pdf>

Martin Weitzman, *Income, Wealth, and the Maximum Principle* (Cambridge: Harvard University Press, 2003).

IV. Overlapping Generations

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 2, Part B.

- Paul A. Samuelson, "An Exact Consumption Loan Model of Interest with or without the Social Contrivance of Money," *Journal of Political Economy* 66 (December 1958), 467–482. www.jstor.org/stable/pdf/1826989.pdf
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V. Endogenous Growth Theory

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- Paul M. Romer, "Endogenous Technical Change," *Journal of Political Economy* 98 (October 1990, Part 2), S71–S102. www.jstor.org/stable/pdf/2937632.pdf
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VI. Cross-Country Income Differences

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 4.

*Robert E. Hall, and Charles I. Jones, "Why Do Some Countries Produce So Much More Output per Worker than Others?" *Quarterly Journal of Economics* 114 (February 1999), 83–116. <http://qje.oxfordjournals.org/content/114/1/83.full.pdf+html>

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VII. Consumption

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VIII. Investment

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Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (Cambridge: MIT Press, 1996), 105–113.

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IX. Financial Markets and Financial Crises

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X. International Economics (time permitting)

Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (Cambridge: MIT Press, 1996), chapters 2 and 3.

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XI. The Looming Fiscal Crisis

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Boundless Economics. Major Macroeconomic Theories. Search for: Major Theories in Macroeconomics. Keynesian Theory. Keynesian theory expects fiscal policy to offset business cycles (employ counter-cyclical strategies). Key Terms. fiscal policy: Government policy that attempts to influence the direction of the economy through changes in government spending or taxes. monetary policy: The process of controlling the supply of money in an economy, often conducted by central banks. Real Macroeconomic Theory. March, 2014. Per Krusell. The notes will accomplish this mostly by applying rather standard microeconomic notions to a macroeconomic context. Thus, a solid understanding of applied microeconomic theory is a very useful background, if not a prerequisite. As for statistical methods, the main quantitative applications will not be based on formal econometrics.