ECON7750.01 MACROECONOMIC THEORY

Fall 2018
(August 26)

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Lectures in Campion Hall 200 T TH 9.00am

Course content and objectives: the standard models of exogenous and endogenous growth, mostly in a deterministic setting. We will study the Slow-Swan model, the Ramsey growth model with infinitely lived optimizing agents, overlapping generation models without and with altruism, fiscal policy, models with human capital, basic AK models of endogenous growth, two seand

his will serve as an introduction and link to EC751.

Grading, exams, and tutorials

The evaluation of the students will be based on a Midterm Exam (40% of total grade) and a Final Exam (60%).

Midterm Examination (tentative): Thursday, October 11
Final Examination:

<u>Reading material</u>

The two main sources of information for the course are:

1) Barro, R.J., and X. Sala-Martin, Econobndn Gr2(n)3(ow)9(th/TT0 1 TD 10 >>wB)-1(our)-2(c.

<u>Course outline</u>

1) Trends and Cross Country Differences in Income: An Introduction.

   BSM, Chapter 12

   DA, Chapter 1

   Easterly, W. and R. Levine, "What Have we Learned from a Decade of Empirical Research on Growth? It Is Not Factor Accumulation: Stylized Facts and Growth Models", *World Bank Economic Review,* 2001, 15, 177-219.

2) The Solow Growth Model.

   BSM, Chapter. 1.

   DA, Chapter 2

   DR, Chapter 1.1-1.7.

   Solow, Robert (1956),"A Contribution to the Theory of Economic Growth" *Quarterly Journal of Economics* 70:65-94.

3) The Solow Model, Extensions and Testing

   DA, Chapter 3

   DR, Chapter 4.1-4.2

   *Mankiw, G., Romer, D., and D.N. Weil (1992), "A Contribution to the Empirics of Economic Growth", May, pp. 407-437.

   Klenow, P. and A. Rodriguez-Clare (1997), "The Neoclassical Revival in Growth

5)   The Ramsey Model with Infinitely Lived Agents.

BSM, Chapter 2

DA, Chapter 5 (skim) and 8

DR, Chapter 2.1-2.7.

6)   The Overlapping Generations Model

BSM, Chapter 3, 3.8

DA, Chapter 9

DR, Chapter 2.8-2.12.

Romer, *Advanced Macroeconomics*, Chapter 2, Part B.

Diamond, Peter (1965), "National Debt in a Neoclassical Growth Model," *American Economic Review* 55:1126-1150.

Blanchard, Olivier J. (1985),

DR, Chapter 3

Romer, Paul, M. (1986), "Increasing Returns and Long-Run Growth", *Journal of Political Economy*, 94, October, 1002-1037

b) <u>Two Sectors Models of Growth</u>

BSM, Chapter 5, 5.1-5.4

DR, Chapter 3, Part A

Lucas, Robert E. (1988),"On the Mechanics of Economic Development

¢ Models of Technology Diffusion

　　BSM, Chapter 8, 8.5 and 8.8

　　DA, Chapter 18

　　Aghion, P. and P. Howitt, The Economics of Growth, the MIT Press, 2009, Chapter 7.

10)　More on the Empirical Implications of Endogenous Growth Models

*Kremer, M. (1993) "Population Growth and Technological Change: One Million B.C. To 1990", *Quarterly Journal of Economics*, August 1993, pp.681-716.

*Jones, C.I. (1995) "R&D-Based Models of Economic Growth", *Journal of Political Economy*, vol. 103, n.4, 1995, pp. 759-84.

*Jones, C.I.(1999), " Growth: With or Without Scale Effects?", *American Economic Review,* May, p. 139-144.

11)　Stochastic Neoclassical Growth Model: Log-linearization and Solution

*Uhlig H. "A Toolkit to Analyze Nonlinear Dynamic Stochastic Models Easily",　mimeo,1997.
http://www2.wiwi.hu-berlin.de/institute/wpol/html/toolkit/toolkit.pdf

12)　Two Examples of Stochastic Dynamic Programming: Investment with Adjustment Costs and Consumption with Stochastic Returns

　BSM, Chapter 3.2, and DR, Chapter 8 (review of investment models with adjustment costs in the deterministic case)

Hansen, L.P. and K.J. Singleton (1983) "Stochastic Consumption, Risk Aversion, and the Temporal Behavior of Asset Returns", *Journal of Political Economy* 91(2), pp. 249-265.

Most importantly : my lecture notes for both investment and consumption.