

Russell Cooper
Fall 2009

Macroeconomics Block I

This is a preliminary course outline. I will be adding more papers and polishing references.

Material from the following books will be used in this course. You are not required to buy any of these books, but they will prove to be useful references for this course and over the years.

- Jerome Adda and Russell Cooper, MIT Press, 2003 (AC)
Costas Azariadis, Intertemporal Macroeconomics, Cambridge, Mass.: Blackwell, 1993. (CA)
R. Barro and Xavier Sala-i-Martin, Economic Growth, McGraw-Hill, 1995 (BS)
Olivier Blanchard and Stanley Fischer, Lectures on Macroeconomics, Cambridge: MIT Press, 1989. (BF)
Lars Lundquist and Thomas Sargent, Recursive Macroeconomic Theory, Cambridge, Mass.: MIT Press, 2000. (LS)
Andreu Mas-Colell, Michael Whinston and Jerry Green, Microeconomic Theory, Oxford University Press, 1995. (MWG)
David Romer, Advanced Macroeconomics, McGraw-Hill, 2001.(DR)
Thomas Sargent, Dynamic Macroeconomic Theory, Cambridge, Mass.: Harvard University Press, 1987. (TS)
Nancy Stokey and Robert E. Lucas, Recursive Methods in Economic Dynamics, Cambridge, Mass.: Harvard University Press, 1989. (SL)

In addition, the following are also useful references:

- P. Aghion and P. Howitt, Endogenous Growth Theory, MIT Press, 1998.
A.K. Dixit, Optimization in Economic Theory, Oxford: Oxford University Press, 1991
R. Farmer, The Macroeconomics of Self-Fulfilling Prophecies, MIT Press, 1993
Douglas Gale, Money: In Equilibrium, Cambridge: Cambridge University Press, 1982.
Douglas Gale, Money: In Disequilibrium, Cambridge: Cambridge University Press, 1983.
N. Gregory Mankiw and David Romer, New Keynesian Economics, MIT Press, 1991.
George McCandless with Neil Wallace, Introduction to Dynamic Macroeconomic Theory Cambridge: Harvard University Press, 1991.
Thomas Sargent, Macroeconomic Theory, New York: Academic Press, 1979.

I. Overview of Macroeconomics (for outside reading)

- Barro, R. Macroeconomics, John Wiley & Sons, 1993 (Undergraduate level presentation).
BF, Ch. 1

Friedman, M. (ed.) , Studies in the Quantity Theory of Money, University of Chicago Press, 1956.
Friedman, M. and A. Schwartz, A Monetary History of the United States, 1867-1960, Princeton University Press, 1963.
*Lucas, R. "Understanding Business Cycles," Carnegie-Rochester Conference on Public Policy 6, 1976.
Lucas, R. Models of Business Cycles:Yrjo Jahnsson Lectures, Basil Blackwell, 1987.
Tobin, James, Asset Accumulation and Economic Activity, University of Chicago Press, 1980.

II. Week 1: Two Period Optimization Problems

*Cooper, R. "Dynamic Optimization: Two-Period Problem", August 2009
*Cooper, R. "Notes on Static General Equilibrium Model with Production," August 2009

III. Week 2-3: Overlapping Generations Model

Azariadis, Ch. 7,9,11,12,13
BF Ch. 3,4,5
Barro, R. "Are Government Bonds Net Wealth?" Journal of Political Economy, 82 (1974), 1095-1117.
DR, Ch. 2
*Cooper, R. "Notes on Overlapping Generations Models," September 2009
*Gale, D. "Pure Exchange Equilibrium of Dynamic Economic Models," Journal of Economic Theory, 1973.
LS, Ch. 8.
MWG, 15.B, 15.C, 16.B, 16.C,16.D, 19.B, 20.H
Samuelson, P. "An Exact Consumption Loan Model of Interest with or without the Social Contrivance of Money," Journal of Political Economy, 1958, 467-82.
*Shell, K. "Notes on the Economics of Infinity," Journal of Political Economy, 79 (1971), 1002-1011.

IV. Week 4: Growth Model

*Diamond, P."National Debt in a Neoclassical Growth Model," American Economic Review, 55 (1965), 1126-50.
BS, BF, DR
*Lucas, R. "On the Mechanics of Economic Development," Journal of Monetary Economics, 22 (1988), 3-42.
*Solow, R. "A Contribution to the theory of Economic Growth," The Quarterly Journal of Economics, 70 (1956), 65-94.

V. Week 5: Introduction to Recursive Methods: Asset Pricing and the Growth Model

AC Ch. 2,3

*Cooper, R. "Introduction to Recursive Methods", August 2009