

ECONOMICS 202A

Main Textbook: David Romer, *Advanced Macroeconomics*, Third Edition (New York: McGraw-Hill, 2005).

GSI and Instructor Office Hours: Johannes Wieland (first half), Oleksa Shvets (second half). All office hours TBA; or by appointment.

READING LIST

I. Long-Run Growth: The Solow Model and Growth Accounting

David Romer, Third Edition, Chapter 1.

Robert E. Hall and Charles I. Jones, "Why Do Some Countries Produce So Much More Output per Worker than Others?" *Quarterly Journal of Economics*, February 1999, pp. 83-116.

Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (Cambridge: MIT Press, 1996), pp. 430-440.

Edmund S. Phelps, "The Golden Rule of Accumulation: A Fable for Growthmen," *American Economic Review*, September 1961, pp. 638-643.

Robert M. Solow, "A Contribution to the Theory of Economic Growth," *Quarterly Journal of Economics*, February 1956, pp. 65-94.

II. Long-Run Growth: The Ramsey-Cass-Koopmans Model

David Romer, Third 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).

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Olivier J. Blanchard and Charles M. Kahn, "The Solution of Linear Difference Models under Rational Expectations," *Econometrica*, September 1980, pp. 1305-1311.

Maurice Obstfeld, "Dynamic Optimization in Continuous-Time Models (A Guide for the Perplexed)," manuscript, UC Berkeley, April 1992. Available at: <http://www.econ.berkeley.edu/~obstfeld/ftp/perplexed/cts4a.pdf>

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

III. Overlapping Generations: Growth, Dynamic Efficiency, and Public Debt

David Romer, Third Edition, Chapter 2, Part B.

Andrew B. Abel, N. Gregory Mankiw, Lawrence H. Summers, and Richard J. Zeckhauser, "Assessing Dynamic Efficiency: Theory and Evidence," *Review of Economic Studies*, January 1989, pp. 1-19.

Robert J. Barro, "Are Government Bonds Net Wealth?" *Journal of Political Economy*, November/December 1974, pp. 1095-1117.

Olivier J. Blanchard, "Debts, Deficits, and Finite Horizons," *Journal of Political Economy*, April 1985, pp. 223-247.

Peter A. Diamond, "National Debt in a Neoclassical Growth Model," *American Economic Review*, December 1965, pp. 1126-1150.

Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (Cambridge: MIT Press, 1996), pp. 445-448.

Paul A. Samuelson, "An Exact Consumption Loan Model of Interest with or without the Social Contrivance of Money," *Journal of Political Economy*, December 1958, pp. 467-482.

Jean Tirole, "Asset Bubbles and Overlapping Generations," *Econometrica*, November 1985, pp. 1499-1528.

IV. Long-Run Growth: Endogenous Growth Theory

David Romer, Third Edition, Chapter 3, Part A.

Charles I. Jones, "Growth and Ideas," in *Handbook of Economic Growth*, Volume 1B, edited by Philippe Aghion and Steven Durlauf (Amsterdam: Elsevier, 2005), pp. 1063-1111.

Michael Kremer, "Population Growth and Technical Change: One Million B.C. to 1990," *Quarterly Journal of Economics*, August 1993, pp. 681-716.

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

Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (Cambridge: MIT Press, 1996), pp. 473-496.

Paul M. Romer, "Endogenous Technical Change," *Journal of Political Economy*, October 1990 (Part 2), pp. S71-S102.

V. Consumption

David Romer, Third Edition, Chapter 7, "Consumption," Sections 7.1-7.4, and 7.6, pp. 346-365 and pp. 370-385.

George-Marios Angeletos, David Laibson, Andrea Repetto, Jeremy Tobacman, and Steven Weinberg, "The Hyperbolic Consumption Model: Calibration, Simulation, and Empirical Evaluation," *Journal of Economic Perspectives*, Summer 2001, pp. 47-68.

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Milton Friedman, *A Theory of The Consumption Function* (Princeton: Princeton University Press, 1957), Chapters I, II, and III, pp. 3-37.

David Gross and Nicholas Souleles, "Do Liquidity Constraints and Interest Rates Matter for Consumer Behavior? Evidence from Credit Card Data," *Quarterly Journal of Economics*, February 2002, pp. 149-185.

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Chang-Tai Hsieh, "Do Consumers React to Anticipated Income Changes? Evidence from the Alaska Permanent Fund," *American Economic Review*, March 2003, pp. 397-405.

David Laibson, Andrea Repetto and Jeremy Tobacman, "Self-Control and Saving for Retirement," *Brookings Papers on Economic Activity*, 1998:1, 91-196.

Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, Second Edition (Cambridge: MIT Press, 2004), Chapter 3 and pp. 109-118.

VI. The Stock Market

David Romer, Third Edition, Chapter 7, Sections 7.5, "Consumption and Risky Assets," pp. 366-370.

John Campbell and Robert Shiller, "Cointegration and Tests of Present Value Models," *Journal of Political Economy*, October 1987, pp. 1062-1088.

J. Bradford DeLong, Andrei Shleifer, Lawrence H. Summers, and Robert J. Waldmann, "Noise Trader Risk in Financial Markets," *Journal of Political Economy*, August 1990, pp. 703-738.

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VII. Investment, Financial Markets, and Financial Frictions

David Romer, Third Edition, Chapter 8, "Investment."

Ben Bernanke and Mark Gertler, "Financial Fragility and Economic Performance," *Quarterly Journal of Economics*, February 1990, pp. 87-114.

- Jason Cummins, Kevin Hassett, and Glenn Hubbard, "A Reconsideration of Investment Behavior Using Tax Reforms as Natural Experiments," *Brookings Papers on Economic Activity*, 1994:2, pp. 75-138.
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- Franco Modigliani and Merton H. Miller, "The Cost of Capital, Corporation Finance and the Theory of Investment," *American Economic Review*, June 1958, pp. 261-297.
- Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (Cambridge: MIT Press, 1996), pp. 105-113.
- Andrei Shleifer and Robert Vishny, "The Limits of Arbitrage," *Journal of Finance*, March 1997, pp. 35-55.
- Joseph E. Stiglitz and Andrew Weiss, "Credit Rationing in Markets with Imperfect Information," *American Economic Review*, June 1981, pp. 393-410.
- Jean Tirole, *The Theory of Corporate Finance* (Princeton: Princeton University Press, 2006).

VIII. Monetary Policy and the Central Bank

A. Money, Inflation, and Deflation

- David Romer, Third Edition, Chapter 10, "Inflation and Monetary Policy."
- Alberto Alesina and Lawrence H. Summers, "Central Bank Independence and Macroeconomic Performance: Some Comparative Evidence," *Journal of Money, Credit and Banking*, May 1993, pp. 151-162.
- Alan J. Auerbach and Maurice Obstfeld, "The Case for Open Market Operations in a Liquidity Trap," *American Economic Review*, March 2005, pp. 110-137.
- Robert Barro and David Gordon, "A Positive Theory of Monetary Policy in a Natural Rate Model," *Journal of Political Economy*, August 1983, pp. 589-610.
- William A. Brock, "Money and Growth: The Case of Long Run Perfect Foresight," *International Economic Review*, October 1974, pp. 750-777.

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- Guillermo A. Calvo, "Staggered Prices in a Utility-Maximizing Framework," *Journal of Monetary Economics*, September 1983, pp. 383-398.
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- Paul R. Krugman, "It's Baaack: Japan's Slump and the Return of the Liquidity Trap," *Brookings Papers on Economic Activity*, 1998:2, pp. 137-187, 204-205.
- Kenneth Rogoff, "Globalization and Global Disinflation," in *Monetary Policy and Uncertainty: Adapting to a Changing Economy* (Kansas City, MO: Federal Reserve Bank of Kansas City, 2003), pp. 77-112. Available at: <http://www.kc.frb.org/PUBLICAT/SYMPOS/2003/pdf/Rogoff2003.pdf>
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B. Banking and Financial Instability

- Viral V. Acharya et al., "The Financial Crisis of 2007-2009: Causes and Remedies," in *Restoring Financial Stability: How to Repair a Failed System*, edited by Viral V. Acharya and Matthew Richardson (New York: John Wiley & Sons, 2009).

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- Stephen Morris and Hyun Song Shin, "Financial Regulation in a System Context," *Brookings Papers on Economic Activity*, Fall 2008, pp. 229-261.
- Maurice Obstfeld. "Lenders of Last Resort in a Globalized World," Discussion Paper 7355, Centre for Economic Policy Research, July 2009. <http://elsa.berkeley.edu/~obstfeld/lendersoflastresort.pdf>
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IX. International Economics

- David Romer, Third Edition, Chapter 5, Section 5.2, "The Open Economy," pp. 231-241.
- Ben Bernanke, "Remarks by Governor Ben S. Bernanke: The Global Saving Glut and the U.S. Current Account Deficit," March 10, 2005. Available at: <http://www.federalreserve.gov/boarddocs/speeches/2005/20050414/default.htm>
- Rudiger Dornbusch, "Expectations and Exchange Rate Dynamics," *Journal of Political Economy*, December, 1976, pp. 1161-1176.

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X. Nature of Unemployment and Theories of Unemployment

David Romer, Third Edition, Chapter 6, Section 6.7, "Coordination Failure Models and Real Walrasian Theories," pp. 303-309 and Chapter 9, Sections 9.5-9.8, pp. 460-481.

Charles Bean, "European Unemployment: A Survey," *Journal of Economic Literature*, June 1994, pp. 573-619.

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