

## Economics 650: Topics in Macroeconomics – Spring 2007

### David Hineline

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### Textbooks:

#### Required:

*Advanced Macroeconomics*, David Romer

#### Other Readings may come from:

*Foundations of Modern Macroeconomics* by Heijdra and Van Der Ploeg (2002)

*Economic Growth and Development* by Hendrik Van Den Berg (2001)

*Endogenous Growth Theory*, Aghion and Howitt (1998)

### Grades:

15% **Homework/Quizzes**, **Midterm** 40%, **Final** 40%, **Referee Report** 5%

### Part I: Economic Modeling and Methods in Macroeconomics

#### 1. Static Models

The IS-LM model and the AD-AS model

#### 2. Introducing Dynamics

Robinson Crusoe Economy

#### Harrod-Domar Model

Branson Chapter 23

Van Den Berg pp. 105-110

Easterly (1999), "The Ghost of Financing Gap: How the Harrod-Domar Model Still Haunts Development Economics," *Journal of Development Economics*, 60(2), pp. 423-438.

#### 3. Solow Model

Romer Chapter 1

Van Den Berg Chapters 4 & 5

#### 4. Overlapping Generations Models

Romer Chapter 2, part B

#### 5. Rational Expectations and Policy-Ineffectiveness-Proposition, Inflation Bias and Rogoff's Central Banker

Heijdra & Van Der Ploeg Chapter 3

Dornbusch, Fisher and Stratz Chapter 20

Romer Chapter 6, part A

Romer Chapter 10

Alesina & Summers (1993), "Central Bank Independence and Macroeconomic Performance," *Journal of Money, Credit and Banking*, 25(2).

#### 6. Modeling Money in General Equilibrium

Heijdra & Van Der Ploeg Chapter 12

Walsh (chapter 3?)

#### 7. Imperfect Competition and Macroeconomics

Heijdra & Van Der Ploeg Chapter 13

Romer Chapter 6, part B

Dixon and Rankin ?

## 8. What Do We Know?

- Gali (1992), "How Well Does the ISLM Model Fit the Post-War US Data?," *QJE* 107(2), pp. 709-38.  
Sims & Zha (1992), "What Does Monetary Policy Do?," *Brookings Papers on Economic Activity* 1996(2).  
Quantitative Macroeconomics (Stock & Watson Handbook Chapter 1 ?)  
Unit Roots in Macroeconomics

## Part II: Modeling Economic Growth

### Introduction

## 9. Convergence

- Baumol, W. J. (1986). Productivity growth, convergence and welfare: what the long-run data show. *American Economic Review*, 1072-1085.  
Mankiw, N. G., Romer, D. and Weil, D. N. (1992). A contribution to the empirics of economic growth. *QJE*, 407-437  
De Long, J. B. (1988). Productivity growth, convergence and welfare: comment. *AER*, 1138-1154.

## 10. Growth Accounting

- DeLong - Mimeo  
Krugman, Paul (1994) The Myth of Asia's Miracle, *Foreign Affairs*  
Young, Alwyn. The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience *QJE*, 641-80.  
Hsieh, Chang-Tai (1999) Factor Prices and Productivity Growth in East Asia, *AER*  
Hsieh, Chang-Tai (2002) What Explains the Industrial Revolution in East Asia? Evidence from the Factor Markets, *AER*

## 11. Endogenous Savings – Optimal Growth – Cass-Koopmans Model

- Optimal Control Theory – Hoy, et al Chapter 25  
Optimal Growth – Romer Chapter 2, part A  
Van Den Berg Chapter 8, pp. 274-290, 316-323

## 12. Endogenous Growth

- Romer Chpt. 3  
Aghion and Howitt chapters 1-3  
Jones Chapters ?  
Van Den Berg Chapter 6

## Part III: Topics

## 13. Determinants of Growth

- \*Barro (1991), "Economic Growth in a Cross-Section of Countries," *Quarterly Journal of Economics*, 106(2), pp. 407-33.  
\*Levine, Ross and Renelt, David (1992). A sensitivity analysis of cross-country growth regressions. *AER*, 942-963.  
\*Sala-i-Martin, Xavier (1997), "I Just Ran Two Million Regressions," *AER*, 87(2), pp. 178-183.  
Easterly, William and Levine, Ross (2001). It's not factor accumulation: stylized facts and growth models. *World Bank Economic Review*, 15(2), 177-219.  
Bernanke and Gurkaynak (2001) Is Growth Exogenous? Taking Mankiw, Romer and Weil Seriously, NBER 8365  
Kenny, Charles and David Williams (2001) What Do Economists Know About Economic Growth ? Or Why Don't They Know Very Much? *World Development*, 29(1).  
Fernandez, C., Ley, Eduardo and Steel, Mark F. J. (2001). Model uncertainty in cross-country growth regressions. *Journal of Applied Econometrics*

#### **14. Inflation and Growth**

- Barro, R. J. (1996). Inflation and growth. *Federal Reserve Bank of St. Louis Review*, 153-169.
- Bruno, M. and Easterly, W. (1998), "Inflation crises and long-run growth," *JME*, 3-26.
- Bullard, J. and Keating, J. W. (1995), "The long-run relationship between inflation and output in postwar economies," *JME*, 36(3), 477-496.

#### **15. Institutions and Growth**

- Van Den Berg Chapters 11 & 12
- Daron Acemoglu, James A. Robinson and Simon Johnson (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation", *AER*, 1369-1401.
- Parente & Prescott (1999), "Monopoly Rights: A Barrier to Riches," *AER*, 89(5), pp. 1216-33.
- Robert E. Hall & Charles I. Jones (1999) "Why Do Some Countries Produce So Much More Output Per Worker Than Others?", *QJE*, 83-116.

#### **16. Trade and Growth**

- Van Den Berg Chapter 9
- Rodrik, Dani and Rodriguez, Francisco (2000). "Trade policy and economic growth: A skeptic's guide to the cross-national evidence," *NBER Macroeconomics Annual 2000*.
- Frankel, J. A. and Romer, D. (1999). "Does trade cause growth?" *AER*, 379-399.

#### **17. Finance and Growth**

- Van Den Berg Chapter 8, pp. 290-315
- \*King, R. G. and Levine, R. (1993). Finance and growth: Schumpeter might be right. *QJE*, 717-737.
- Arestis, P. and Demetriades, P. O. (1997). Financial development and economic growth: assessing the evidence. *Economic Journal*, 783-799.
- Benhabib, Jess and Mark M. Spiegel (2000). The role of financial development in growth and investment. *Journal of Economic Growth*, December, 341-360.
- King, R. G. and Levine, R. (1993). Finance, entrepreneurship and growth: theory and evidence. *JME*, 513-542.
- Levine, Ross (1997). Financial development and economic growth: views and agenda. *JEL*, 688-726.

#### **18. Inequality and Growth**

- \*Persson T. and G. Tabellini (1994). Is inequality harmful for growth? *AER*, 600-621.
- \*Forbes, K. J. (2000). A reassessment of the relationship between inequality and growth. *AER*, 869-887.
- Alesina A. and D. Rodrik (1994). Distributive politics and economic growth. *QJE*, 465-490.
- Galor, Oded and Joseph Zeira (1993). Income distribution and macroeconomics, *Review of Economic Studies*, 35-52.
- Lloyd-Ellis, Huw (1999). Endogenous technological change and wage inequality. *AER*, 47-77.
- Banerjee A. and E. Duflo (2000). Inequality and growth: What can the data say? NBER 7793
- Aghion, Philippe, Caroli, Eve and Garcia-Penalosa, Cecilia (1999). Inequality and economic growth: the perspective of the new growth theories. *JEL*, 1615-1660.

#### **19. Education and Growth**

- Van Den Berg Chapter 10
- Bils, Mark and Klenow, Peter J. (2000). "Does schooling cause growth?" *AER*, 1160-1183.
- Benhabib, J. and Spiegel, M.M. (1994). "The role of human capital in economic development: evidence from aggregate cross-country data," *JME*, 143-173.

#### **20. Technology Diffusion**

- Coe, David & Helpman, Elhanan, 1995. International R&D spillovers, *European Econ. Rvw*, 859-887.