

UNIVERSITY OF CALIFORNIA, DEPARTMENT OF ECONOMICS

ECONOMICS 202A READING LIST

Professors Maurice Obstfeld and David Romer

Fall Semester 2013

Main Textbook: David Romer, *Advanced Macroeconomics*, Fourth Edition (New York: McGraw-Hill, 2012).

Part I: August 29 – October 22 (Midterm Examination)

GSI and Instructor Office Hours: Dominick Bartelme office hours M 9-10 A.M., 630 Evans.
Obstfeld office hours W 1-2 P.M., 699 Evans.

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

*David Romer, *Advanced Macroeconomics*, Chapters 1 and 4.

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

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

*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.

Peter J. Klenow and Andres Rodríguez-Clare, "The Neoclassical Revival in Growth Economics: Has It Gone Too Far?" *NBER Macroeconomics Annual*, 1997, pp. 73-103.

Robert E. Lucas, Jr., "Why Doesn't Capital Flow from Rich to Poor Countries?" *American Economic Review*, May 1990, pp. 92-96.

William A. Brock and M. Scott Taylor, "The Green Solow Model," *Journal of Economic Growth*, June 2010, pp. 125-153.

Oded Galor, *Unified Growth Theory* (Princeton, NJ: Princeton University Press, 2011).

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

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

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

Robert J. Barro. "Laibson Meets Ramsey in the Neoclassical Growth Model." *Quarterly Journal of Economics*, November 1999, pp. 1125–1152.

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

Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, 2d Edition (Cambridge, MA: MIT Press, 2004), Chapter 3.

*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>

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, *Advanced Macroeconomics*, 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.

Alberto Martin and Jaume Ventura, "Economic Growth with Bubbles," Working Paper 15870, National Bureau of Economic Research, April 2010.

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.

Weil, Philippe. "Overlapping Generations: The First Jubilee." *Journal of Economic Perspectives* 22 (Fall 2008), pp. 115-134.

IV. Long-Run Growth: Endogenous Growth Theory

*David Romer, *Advanced Macroeconomics*, Chapter 3.

Charles I. Jones, "Growth and Ideas," in Philippe Aghion and Steven Durlauf, eds., *Handbook of Economic Growth*, Volume 1B (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. International Macroeconomics

*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>

Olivier Blanchard and Gian Maria Milesi-Ferretti, "Policy Corner: (Why) Should Current Account Balances Be Reduced?" *IMF Economic Review* (No. 1, 2012).

Richard Dobbs et al., *Farewell to Cheap Capital? The Implications of Long-Term Shifts in Global Investment and Saving* (McKinsey Global Institute, 2010).

Rudiger Dornbusch, "Expectations and Exchange Rate Dynamics," *Journal of Political Economy*, December, 1976, pp. 1161-1176.

Francesco Giavazzi and Luigi Spaventa, "Why the Current Account May Matter in a Monetary Union: Lessons from the Financial Crisis in the Euro Area," Discussion Paper 8008, Centre for Economic Policy Research (London), September 2010.

Pierre-Olivier Gourinchas and Olivier Jeanne, "Capital Flows to Developing Countries: The Allocation Puzzle," manuscript, UC Berkeley, October 2011. Available at: http://socrates.berkeley.edu/~pog/academic/allocation_0408.pdf

Paul Krugman, "Has the Adjustment Process Worked?" in *International Adjustment and Financing: The Lessons of 1985-1991*, edited by C. Fred Bergsten (Washington, DC: Institute for International Economics, 1991), pp. 277- 322.

*Maurice Obstfeld, "Does the Current Account Still Matter?" *American Economic Review* (May 2012), pp. 1-23.

Part II: October 24 – December 10

GSI and Instructor Office Hours: Sergii Meleshchuk office hours TBA.
D. Romer office hours W 1-3 P.M., 679 Evans.

VI. Current Crises in Macroeconomics

*David Romer, *Advanced Macroeconomics*, fourth edition, "Epilogue," pp. 644-648.

Carmen M. Reinhart and Kenneth S. Rogoff, *This Time is Different*, Chapter 14, "The Aftermath of Financial Crises" (Princeton: Princeton University Press, 2009), pp. 223-239.

Ben S. Bernanke, "Japanese Monetary Policy: A Case of Self-Induced Paralysis?" in Ryoichi Mikitani and Adam S. Posen, eds., *Japan's Financial Crisis and Its Parallels to U.S. Experience* (Washington, D.C.: Institute for International Economics, 2000), pp. 149-166.

*Lee E. Ohanian, "The Economic Crisis from a Neoclassical Perspective," *Journal of Economic Perspectives* 24 (Fall 2010), pp. 45-66.

*Ricardo J. Caballero, "Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome," *Journal of Economic Perspectives* 24 (Fall 2010), pp. 85-102.

*David Romer, *Advanced Macroeconomics*, fourth edition, "Empirical Application: Is U.S. Fiscal Policy on a Sustainable Path?" pp. 590-592.

*Alan Auerbach and William Gale, "Fiscal Fatigue: Tracking the Budget Outlook as Political Leaders Lurch from One Artificial Crisis to Another he Federal Budget Outlook: No News Is Bad News," unpublished paper, June 2012.

VII. Consumption

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 8, “Consumption.”

Milton Friedman, *A Theory of the Consumption Function*, Chapters 1-3, pp. 3-37.

Robert Hall, “Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence,” *Journal of Political Economy*, December 1978, pp. 971-987.

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

*Jonathan A. Parker, Nicholas S. Souleles, David S. Johnson, Robert McClelland, “Consumer Spending and the Economic Stimulus Payments of 2008,” unpublished paper, March 2013. *American Economic Review*, forthcoming.

Claudia R. Sahm, Matthew D. Shapiro, and Joel Slemrod, “Check in the Mail or More in the Paycheck: Does the Effectiveness of Fiscal Stimulus Depend on How It Is Delivered?” *American Economic Journal: Economic Policy*, August 2012, 216-250.

VIII. Investment

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 9, “Investment,” Sections 9.1-9.8, pp. 405-436.

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

Lawrence Summers, “Taxation and Corporate Investment: A q-Theory Approach,” *Brookings Papers on Economic Activity*, 1981:1, pp. 67-127.

*Austan Goolsbee, “Investment Tax Incentives, Prices, and the Supply of Capital Goods,” *Quarterly Journal of Economics*, February 1998, pp. 121-148.

IX. Financial Markets and Financial Crises

*David Romer, *Advanced Macroeconomics*, fourth edition, Sections 9.9 and 9.10, pp. 436-451.

Robert E. Lucas, Jr., “Asset Prices in an Exchange Economy,” *Econometrica*, December 1978, pp. 1429-1445.

Rajnish Mehra and Edward C. Prescott, “The Equity Premium: A Puzzle,” *Journal of Monetary Economics*, March 1985, pp. 145-161.

Michael C. Jensen and William H. Meckling, “Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure,” *Journal of Financial Economics*, October 1976, pp. 305-360.

- *Ben S. Bernanke, Mark Gertler, and Simon Gilchrist, "The Financial Accelerator and the Flight to Quality," *Review of Economics and Statistics*, February 1996, pp. 1-15.
- *Victoria Ivashina and David S. Scharfstein, "Bank Lending During the Financial Crisis of 2008," *Journal of Financial Economics*, September 2010. pp. 319-338.
- Joe Peek and Eric R. Rosengren, "Collateral Damage: Effects of the Japanese Bank Crisis on Real Activity in the United States," *American Economic Review* 90 (March 2000), pp. 30-45.
- *Lawrence H. Summers, "Does the Stock Market Rationally Reflect Fundamental Values?" *Journal of Finance*, July 1985, pp. 591-601.
- *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.
- Andrei Shleifer and Robert Vishny, "The Limits of Arbitrage," *Journal of Finance*, March 1997, pp. 35-55.
- *Douglas Diamond and Philip Dybvig, "Bank Runs, Deposit Insurance, and Liquidity," *Journal of Political Economy*, June 1983, pp. 401-419.
- Gary Gorton and Andrew Metrick, "Securitized Banking and the Run on Repo," *Journal of Financial Economics*, June 2012, pp. 425-451.
- *Ben Bernanke and Mark Gertler, "Financial Fragility and Economic Performance," *Quarterly Journal of Economics*, February 1990, pp. 87-114.
- Bengt Holmström and Jean Tirole, "Private and Public Supply of Liquidity," *Journal of Political Economy*, February 1998, pp. 1-40.
- Markus K. Brunnermeier, "Deciphering the Liquidity and Credit Crunch 2007-2008," *Journal of Economic Perspectives*, Winter 2009, pp. 77-100.