

Economics 715
Advanced Macroeconomics I
Fall 2007
Instructor: Garrett Jones

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Office Hours: Monday 5-7 pm, and Tuesday, **3-5 pm**, Buchanan House, 2nd floor.

Required Textbooks, available in the University Bookstore:

Drazen, *Political Economy in Macroeconomics*
Rubin and Weisberg, *In an Uncertain World*

Recommended Textbooks, available in the University Bookstore:

Williamson, *Macroeconomics*, any edition

This undergraduate textbook provides intuition, background information, and surprisingly rigorous models. It covers much of the course material within a two-period framework. If you've never seen dynamic general equilibrium models before, I would strongly recommend this book.

Romer, *Advanced Macroeconomics*, any edition

This is the standard first-year macro textbook, and it covers some of the topics we will cover. I will not assign any readings from it, but you are likely to use it in Economics 816.

Course Outline

Week 1

Optimal choices in a one-period macroeconomic model

Stephen Williamson, *Macroeconomics*, Chapters 4 and 5

Stephen Williamson, *Notes*, Chapter 1.1, 1.2

Lucas, "What Economists Do,"

<http://docentes.fe.unl.pt/~acsilva/IntMacro/WhatEconomistsDo.htm>

Hazlitt: *Economics in One Lesson*, chapters 1 and 2

<http://www.fee.org/library/books/economics.asp>

Week 2

A two-period real macroeconomic model

Consumption, Savings, Investment, and Ricardian equivalence

Williamson, *Macroeconomics*, Chapters 8 and 9

Hall, "Stochastic Implications of the

Life-Cycle Permanent Income Hypothesis," *Journal of Political Economy*,

<http://links.jstor.org/sici?sici=0022->

[3808%28197812%2986%3A6%3C971%3ASIoTLC%3E2.0.CO%3B2-K](http://links.jstor.org/sici?sici=0022-3808%28197812%2986%3A6%3C971%3ASIoTLC%3E2.0.CO%3B2-K)

(note: # indicates optional readings throughout)

Baxter and King, "Fiscal Policy in General Equilibrium,"

American Economic Review,

<http://links.jstor.org/sici?sici=0002-8282%28199306%2983%3A3%3C315%3AFPIGE%3E2.0.CO%3B2-A&origin=repec>

Week 3

Consumption, taxes, and labor supply in two periods

Kreuger, Chapters 1-2, 4.1, 4.3.2

<http://www.wiwi.uni-frankfurt.de/professoren/krueger/teaching/ws0506/fiscal/GoetheFiscalTotal.pdf>

Clement, "European Vacation,"

<http://www.minneapolisfed.org/pubs/region/03-12/clement.cfm>

Blanchard, "The Economic Future of Europe,"

<http://links.jstor.org/sici?sici=0895-3309%28200423%2918%3A4%3C3%3ATEFOE%3E2.0.CO%3B2-2>

#Alesina, Glaeser and Sacerdote, "Work and Leisure in the U.S. and Europe: Why so Different?"

<http://ideas.repec.org/p/nbr/nberwo/11278.html>

or

<http://www.colorado.edu/Economics/morey/4999Ethics/AlesinaGlaeserSacerdote2005.pdf>

Nickell, "Employment and Taxes,"

http://www.cesifo-group.de/pls/guestci/download/CESifo%20Working%20Papers%202003/CESifo%20Working%20Papers%20December%202003/cesifo1_wp1109.pdf

Fuchs, Krueger and Poterba, "Why do Economists Disagree about Policy? The Roles of Beliefs about Parameters and Values" (also published in *Journal of Economic Literature*),

<http://www.irs.princeton.edu/pubs/pdfs/389.pdf>

Week 4

Optimal savings in an infinite horizon; Thinking about Time Preference

Williamson, *Notes*, Chapters 1 and 3.

Fredrick, "On the Ball: Cognitive Reflection and Decision-Making,"

<http://web.mit.edu/people/shanefre/On%20the%20Ball.pdf>

Clark, *Farewell to Alms*, Chapter 1 (handout), and "Genetically Capitalist?"

http://www.international.ucla.edu/cms/files/Clark_Genetically_Capitalist.pdf

Laibson et al., "The Hyperbolic Consumption Model,"

<http://links.jstor.org/sici?sici=0895-3309%28200122%2915%3A3%3C47%3ATHCMCS%3E2.0.CO%3B2-5>

Paulson and Osili, "Individuals and Institutions:

Evidence from International Migrants in the U.S.,"

http://www.chicagofed.org/publications/workingpapers/wp2004_19.pdf

Week 5

Optimal Capital Taxation

Myles, *Intermediate Public Finance*, handout.

Hubbard and Skinner, "Assessing the Effectiveness of Savings Incentives." *Journal of Economic Perspectives*,

<http://ideas.repec.org/p/nbr/nberwo/5686.html>

Mankiw and Weinzierl, "Dynamic Scoring: A Back-of-the-Envelope Guide,"

<http://www.nber.org/papers/w11000>

Casey Mulligan, review of Hall and Rabushka's *The Flat Tax*,

<http://home.uchicago.edu/~cbm4/brhallrab.html>

Atkeson, Chari, and Kehoe, "Taxing Capital Income: A Bad Idea,"

<http://www.mpls.frb.org/research/qr/qr2331.pdf>

Jones, Manuelli, and Rossi, "On the Optimal Taxation of Capital Income,"

<http://faculty.chicagosb.edu/peter.rossi/vita/publications/1997%20On%20the%20Taxation%20of%20Capital%20Income%20of%20Economic%20Theory.pdf>

Hall and Rabushka, *The Flat Tax*

<http://www.hooverpress.org/productdetails.cfm?PC=1274>

Week 6

Labor Market Churn and Firm-Level Productivity

Williamson, *Macroeconomics*, Chapter 16.

Davis and Haltiwanger, "Gross Job Flows," *Handbook of Labor Economics*,

<http://ideas.repec.org/h/eee/labchp/3-41.html>

Cole and Ohanian, "New Deal Policies and the Persistence of the Great Depression," *Journal of Political Economy*,

<http://www.journals.uchicago.edu/cgi-bin/resolve?id=doi:10.1086/421169>

Baily and Solow, "International Productivity Comparisons Built from the Firm Level,"

<http://links.jstor.org/sici?sici=0895-3309%28200122%2915%3A3%3C151%3AIPCBFT%3E2.0.CO%3B2-C>

Kehoe and Prescott, "Great Depressions of the 20th Century," *Review of Economic Dynamics*.

Week 7

Midterm

Week 8

Business Cycles: Real and Nominal

Williamson, *Macroeconomics*, Chapters 10, 11

Prescott, "Theory ahead of Business Cycle Measurement,"

www.minneapolisfed.org/research/qr/qr1042.pdf

Summers, "Some Skeptical Observations on Real Business Cycle Theory,"

www.minneapolisfed.org/research/QR/QR1043.pdf

Lucas, "Monetary Neutrality,"

http://nobelprize.org/nobel_prizes/economics/laureates/1995/lucas-lecture.pdf

Ireland, "Technology Shocks in a New Keynesian Model,"

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=510202

Week 9

The Great Depression and Monetarism

Romer, Margo, Calomiris, and Temin (separate authors) "Symposium: The Great Depression," *Journal of Economic Perspectives*, Spring 1993.

<http://econpapers.repec.org/article/aeajecper/default7.htm>

Romer, Christina, "What Ended the Great Depression?"

Journal of Economic History,

<http://links.jstor.org/sici?sici=0022->

[0507%28199212%2952%3A4%3C757%3AWETGD%3E2.0.CO%3B2-K](http://links.jstor.org/sici?sici=0022-0507%28199212%2952%3A4%3C757%3AWETGD%3E2.0.CO%3B2-K)

DeLong, "The Triumph of Monetarism?"

http://econ161.berkeley.edu/Econ_Articles/monetarism.html

Hafer, "What Remains of Monetarism?"

<http://www.frbatlanta.org/filelegacydocs/hafer.pdf>

Sargent, Thomas and Wallace, Neil. "Some Unpleasant Monetarist Arithmetic,"

<http://www.minneapolisfed.org/research/OR/OR531.pdf>

Friedman and Schwarz, *A Monetary History of the United States*, Chapters 7 and 13.

Friedman and Friedman, *Free to Choose*, Chapter 3.

Williamson, *Macroeconomics*, Chapter 12

Week 10

Taylor Rules and Monetary Policy

Begin reading Rubin and Weisberg, *In an Uncertain World*.

(skip chapters 2 and 3)

Mankiw, "The Macroeconomist as Scientist and Engineer,"

http://post.economics.harvard.edu/faculty/mankiw/papers/Macroeconomist_as_Scientist.pdf

Judd and Rudebusch, "Taylor's Rule and the Fed, 1970-1997,"

<http://www.frbsf.org/econsrch/econrev/98-3/3-16.pdf>

"Is There a Core of Practical Macroeconomics That We Should All Believe?" *American Economic Review*, symposium, May 1997.

Blinder, "What Central Bankers Can Learn From Academics – and Vice Versa," *Journal of Economic Perspectives*.

Campbell, "Some Lessons from the Yield Curve," *Journal of Economic Perspectives*, <http://links.jstor.org/sici?sici=0895-3309%28199522%299%3A3%3C129%3ASLFTYC%3E2.0.CO%3B2-G>

Meyer, *A Term at the Fed*.

"Symposium on the Monetary Transmission Mechanism," *Journal of Economic Perspectives*, Fall 1995.

Clarida, Gali, and Gertler, "The Science of Monetary Policy: A New Keynesian Perspective," *Journal of Economic Perspectives*.

Weeks 11-13

Commitment and Institutions in Macroeconomics

Williamson, *Macroeconomics*, Chapter 17.

Drazen, *Political Economy in Macroeconomics*, introductory material, Chapter 1, and Chapters 4-6.

Lucas, "Macroeconomic Priorities," *American Economic Review*.
<http://home.uchicago.edu/~sogrodow/homepage/paddress03.pdf>

Weeks 13-14 (time permitting)

Asset pricing

Williamson, *Notes*, Chapters 5 and 6.

"Interview with Robert Barro," *The Region*,
<http://www.minneapolisfed.org/pubs/region/05-09/barro.cfm>

Mehra and Prescott, "The Equity Premium: A Puzzle"

Mehra, "The Equity Premium in Retrospect,"

Additional online texts here: <http://www.econphd.net/notes.htm>

Optional readings are denoted with #.

Recommended reading for next summer:

Deirdre McCloskey, *The Rhetoric of Economics*.

Greg Mankiw, *My Rules of Thumb*.

www.economics.harvard.edu/faculty/mankiw/papers/My_Rules_of_Thumb.pdf

I reserve the right to make minor changes to the outline—in particular, I may add a few short (<5 pages) readings.

Honor Code

Please keep in mind that George Mason is an Honor Code University. All forms of academic dishonesty are forbidden in this course. I encourage you to work in groups and to study together, but all exams and all homework assignments must be your own work, unless I specifically state otherwise.

Grading

As the outline indicates, you will have one midterm and a final exam. I will provide sample questions at least one week in advance. The final will be largely but not fully comprehensive: I will list the readings well before the final exam. You will also have short homework assignments assigned most weeks during the semester. They will be lightly graded, and answers will be available within a week of each homework due date.

Homework:	10%
Midterm:	40%
Final:	50%

Communication

I encourage you to come to my office hours and to contact me via e-mail. I particularly hope that we'll be able to use WebCT successfully in this course.

Students with Disabilities

I am happy to make all necessary accommodations for students with disabilities. University policy states that students who would like to request such accommodations should first contact the Office of Disability Services (993-2474, Sub I Room 222).