

## **ECONOMICS 615–Economic Growth and Business Cycles**

Course: ECON 615 (Th, 7:20-10)  
Term: Spring 2013  
Instructor: Garrett Jones  
Office hours: T 2pm-3:30, Carow 8A and usually Th at Arlington Cosi, 6-7.  
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### **Prerequisites**

I will assume that all students in this course are comfortable with basic statistics: Means, variances, correlations. I also assume that you have completed a principles of economics course and have taken either intermediate macroeconomics OR intermediate microeconomics. I also assume familiarity with differential calculus. If you have concerns about these prerequisites, please feel free to discuss your concerns with me.

### **Required Texts**

David Andolfatto, Macroeconomic Theory and Policy, 2<sup>nd</sup> edition.

<http://mpra.ub.uni-muenchen.de/6403/>

William Lewis, *The Power of Productivity*.

### **Other Course Readings**

Other course readings are available online through Google Scholar, library.gmu.edu, or Blackboard. Please let me know if you have difficulty accessing them.

### **Course Outline and Reading Assignments**

Week 1: Macroeconomic Methodology, defining GDP, and Key Business Cycle Facts

Lucas, "What Economists Do,"

[http://www.eco.uc3m.es/~andiaz/pdfs/macrol\\_licenciatura/parque.pdf](http://www.eco.uc3m.es/~andiaz/pdfs/macrol_licenciatura/parque.pdf)

Andolfatto, c. 1.

Williamson, Macroeconomics, Chapter 3: (Scanned PDF, in Blackboard, henceforth SPiB).

Week 2: Elementary General Equilibrium Theory & Real Business Cycles

Andolfatto, c. 2.

Hamilton, "Oil and the Macroeconomy," *New Palgrave Dictionary of Economics*.

[http://dss.ucsd.edu/~jhamilton/JDH\\_palgrave\\_oil.pdf](http://dss.ucsd.edu/~jhamilton/JDH_palgrave_oil.pdf)

Alexopoulos, 2010, "Read all about it! What happens following a technology shock?"

<https://www.google.com/search?sourceid=chrome&ie=UTF-8&q=%22read+all+about+it%22+technology+shock>

Week 3: Keynesian Coordination Failure: Confidence, Uncertainty, and Animal Spirits.

Andolfatto, c. 3.

Hall, *Booms and Recessions in a Noisy Economy*, Intro and c. 1, SPiB.

Wood, Owens, Durham, "Presidential Rhetoric and the Economy," *J. Politics*.

<http://onlinelibrary.wiley.com/doi/10.1111/j.1468-2508.2005.00332.x/full>

Coates and Humphreys, 2002, "Economic Impact of Postseason Play in Professional Sports," *J. Sports Economics*

<http://www.ualberta.ca/~bhumphre/papers/jse2002b.pdf>

Week 4: Unemployment: Search Models, Job Creation and Destruction.

Andolfatto, c. 4.

Pissarides, Nobel lecture and (especially) slides:

[http://www.nobelprize.org/nobel\\_prizes/economics/laureates/2010/pissarides-lecture.html](http://www.nobelprize.org/nobel_prizes/economics/laureates/2010/pissarides-lecture.html)

Haltiwanger, “[Job Creation and Destruction](#),” (unappealing .doc format, but good summary)

Davis and Haltiwanger, “Gross Job Creation and Destruction,” Sections 1 & 2 and conclusion.

<http://www.jstor.org/stable/10.2307/3585137>

Week 5: Consumption, Saving, and Asset Pricing: A partial equilibrium detour

Andolfatto, c.5

Attanasio/Weber, “Consumption and Saving.”

<http://are.berkeley.edu/courses/ARE251/fall2011/Papers/attanasio-weber10.pdf>

Hurst, “Retirement of a Consumption Puzzle,”

[http://www.vwl.tuwien.ac.at/hanappi/AgeSo/rp/Hurst\\_2008.pdf](http://www.vwl.tuwien.ac.at/hanappi/AgeSo/rp/Hurst_2008.pdf)

Sargent and Ljungqvist, *Recursive Macroeconomic Theory*, c.1, sections 1-3, (SPiB).

Jones, “[Memory as a Consumer Durable](#).”

Week 6: The complete RBC model.

Prescott, Nobel Lecture, Read sections 3 and following:

[http://www.nobelprize.org/nobel\\_prizes/economics/laureates/2004/prescott-lecture.pdf](http://www.nobelprize.org/nobel_prizes/economics/laureates/2004/prescott-lecture.pdf)

Summers, “Some Skeptical Observations on Real Business Cycle Theory,”

<http://www.minneapolisfed.org/research/qr/qr1043.pdf>

Week 7: Midterm Examination: 3/7.

Week 8: Spring Break: 3/14. *No Class*.

Week 9: Fiscal policy, Capital, and the static Old Keynesian Model

Andolfatto, c. 6 & c.7.

Snowdon and Vane, 3.1-3.4, “The Orthodox Keynesian School.”

Clement, “[European Vacation](#).” [Interview with Prescott]

Jones, “Taxes, Efficient Government, and Jobs: Prescott’s Surprise”

[http://econlog.econlib.org/archives/2012/10/prescott\\_hoisti.html](http://econlog.econlib.org/archives/2012/10/prescott_hoisti.html)

Week 10: The Elements of Monetarism

McCandless and Weber, “Some Monetary Facts.”

Milton and Rose Friedman, “Anatomy of a Crisis,” from *Free to Choose*.

Purely optional: <http://www.youtube.com/watch?v=SWVoPrntBso&feature=gv>

[Friedman’s AEA Presidential Address](#), Memorize.

Friedman, “Quantity Theory of Money,” New Palgrave.

Week 11: Money, Banking, and Inflation in an overlapping generations model.

Andolfatto, c. 8

Stigum/Crescenzi, *Stigum’s Money Market*, c.2, “Fund Flows, Banks, and Money Creation.”

Reinhart and Rogoff, “Banking Crises,” in *This Time is Different*.

Week 12: Monetary Business Cycles 1

Lucas: Understanding Business Cycles

[Lucas: Nobel Lecture](#)

Barro, “[Unanticipated Money, Output, and the Price Level in the United States](#)”

Week 13: Monetary Business Cycles 2

Nakamura and Steinsson, “Price Rigidity.”

<http://www.columbia.edu/~en2198/papers/psurvey.pdf>

David Romer, “[The New Keynesian Synthesis](#)”

<http://www.nek.lu.se/nekkfr/d-kurs/RomerNewKeynes.pdf>

Purely optional: [http://www.nytimes.com/2010/09/05/sports/football/05romer.html?\\_r=0](http://www.nytimes.com/2010/09/05/sports/football/05romer.html?_r=0)

Week 14: Solow Growth

Weil, *Economic Growth*, Chapter 3.

Lewis, first 1/2.

*In the company of strangers*, excerpt, SPiB.

Week 15: Endogenous Growth and Stagnation

Week 16: Final Exam, Thursday, May 10, 7:30 pm.

Kremer, “[Population Growth and Technological Change: 1 million B.C. to 1990](#)”

Cowen, Great Stagnation, [video](#)

McAfee, “Race Against the Machine,” [video](#)

Tabarrok on Endogenous Growth Theory, (video and op-ed).

Jones, New Palgrave, “National IQ and National Productivity.”

Lewis, second 1/2.

I reserve the right to make modest changes to the reading list, perhaps adding or removing articles or book chapters.

**Classroom Norms**

During lecture, I would like to ask for students to raise their hands before speaking.

**Blogs worth keeping an eye on for the purposes of this course**

Marginal Revolution

EconLog

andolfatto.blogspot.com

Econbrowser

The Money Illusion

**Reliable Background and Review Material**

Elsevier’s *Handbook of Macroeconomics*, *Handbook of Monetary Economics*, and *Handbook of Economic Growth* contain largely high-quality chapters written by leading researchers.

Macroeconomics (1999):

<http://www.sciencedirect.com/science/handbooks/15740048/1/part/PB>

Economic Growth (2005):

<http://www.sciencedirect.com/science/handbooks/15740684>

Monetary Economics (2010):

<http://www.sciencedirect.com/science/handbooks/15734498>

I liked this collection of lecture notes as well, at the MA level. They cover most of the same material I'll cover:

<http://qed.econ.queensu.ca/pub/faculty/smithgw/econ815A/>

This book by Steven Williamson is at the Ph.D. level, sometimes a bit advanced, but chapters 1, 2, 5, 6 are worth a look:

<http://www.artsci.wustl.edu/~swilliam/courses/notes06.pdf>

### **Grading Procedures**

The final will be largely cumulative. Two weeks before the midterm and the final, I will provide study guides that will be reliable indicators of >50% of each exam's contents. Participation is a catch-all for good classroom behavior and for civil interactions both online and in person. Attendance will not be taken.

Participation	5%
Midterm	45%
Final Exam	50%