

Syllabus for EC4010 Module 1 (Macroeconomics)

About this Course

This module covers a number of topics in macroeconomic theory, focusing on two broad areas. The first is the theory of long-run economic growth. The second is the area of rational expectations modelling, looking in particular at the role that expectations play in models of asset prices, consumption, and inflation.

Organisational Details

- There will be a written assignment that will count for 10% of your final grade. Details will be given soon.
- There will also be tutorial classes on Thursdays at 2PM in 4050A given by Michael Wycherly.
- There is no set text. I will distribute lecture notes as we go along, and together with readings from journal articles, these will form the core material for the course.
- The notes will be available on my personal website: www.karlwhelan.com.
- All of the articles listed on the syllabus can be accessed online. Some require use of the JSTOR facility for accessing journal articles (www.jstor.org). Let me know if you have any problems accessing articles from this or any other source.
- For those of you who really like textbooks, Charles I. Jones's book *Economic Growth* covers some of the material in the first half of the course, and David Romer's *Advanced Macroeconomics* also covers some of the other material. Purchase of these is not required, however. For the ambitious among you, Daron Acemoglu has written a graduate text on growth that is very comprehensive, but generally more advanced than this course. It's currently available free online at <http://econ-www.mit.edu/faculty/acemoglu/books>.
- I do not work at TCD, so I do not have formal office hours. As the course goes on, if people need to meet with me in person, we can set up appointments. Also, I can be contacted by email at karl.whelan@ucd.ie and am usually pretty prompt in replying.

1. Economic Growth

What factors determine GDP in the long run? What determines patterns of economic growth across countries?

Readings:

- Robert Solow. “A Contribution to the Theory of Economic Growth,” *Quarterly Journal of Economics*, February 1956 (JSTOR).
- Brad DeLong. *Macroeconomics*, McGraw-Hill, Chapter 4. Can be downloaded at econ161.berkeley.edu/macro_online/Index.html
- Gregory Mankiw, David Romer and David Weil, “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics*, May 1992 (JSTOR).
- Kieran McQuinn and Karl Whelan. “Conditional Convergence Revisited: Taking Solow Very Seriously,” *Journal of Economic Growth*, June 2007. Available at www.karlwhelan.com.
- Kieran McQuinn and Karl Whelan. “Solow (1956) as a Model of Cross-Country Growth Dynamics,” *Oxford Review of Economic Policy*, 2007. Available at www.karlwhelan.com.
- Robert Hall and Charles Jones. “Why Do Some Countries Produce So Much More Output Per Worker than Others?” *Quarterly Journal of Economics*, February 1999. Available via JSTOR or at emlab.berkeley.edu/users/chad/.
- William Easterly and Ross Levine. “It’s Not Factor Accumulation: Stylized Facts and Growth Models,” *World Bank Economic Review*, 2001. Available at www.nyu.edu/fas/institute/dri/Easterly/Research.html
- Paul Romer. “Endogenous Technological Change,” *Journal of Political Economy*, October 1990 (JSTOR).
- Charles Jones. “The Shape of Production Functions and the Direction of Technical Change,” *Quarterly Journal of Economics*, May 2005. Available online at elsa.berkeley.edu/~chad/jonesqje2005.pdf.

- Daron Acemoglu, *Introduction to Modern Economic Growth*, Chapter 18. Available online at <http://econ-www.mit.edu/faculty/acemoglu/books>.

2. Rational Expectations, Stock Prices, Consumption, and Investment

Most of the important variables in macroeconomics—stock prices, household spending, business investment—depend on expectations of future events. This section will discuss how to formulate models that describe this rigorously. Methods for testing these models will be discussed, as will the implications of expectations for policy analysis and econometric modelling.

Readings:

- John Muth. “Rational Expectations and the Theory of Price Movements,” *Econometrica*, July 1961 (JSTOR).
- Robert Shiller. “Do Stock Prices Move Too Much to be Justified by Subsequent Changes in Dividends?” *American Economic Review*, June 1981 (JSTOR).
- Olaf Weenen. “Asset Prices and the Housing Market,” *Bank of England Quarterly Bulletin*, Spring 2004. Available at www.bankofengland.co.uk/publications/quarterlybulletin/f04qbcon.htm
- John Campbell and Robert Shiller. “The Dividend-Price Ratio and Expectations of Future Dividends and Discount Factors,” *Review of Financial Studies*, Autumn 1988 (JSTOR).
- John Campbell and Robert Shiller. “Valuation Ratios and the Long-Run Stock Market Outlook: An Update,” NBER Working Paper No. 8221, April 2001. (Available at www.nber.org/papers)
- Robert Hall. “Stochastic Implications of the Life-Cycle Permanent Income Hypothesis: Theory and Evidence,” *Journal of Political Economy*, December 1978 (JSTOR).
- Michael Palumbo, Jeremy Rudd and Karl Whelan. “On the Relationships between Real Consumption, Income, and Wealth,” *Journal of Business and Economic Statistics*, January 2006. Available at www.karlwhelan.com

- Thomas Sargent. “Rational Expectations and the Reconstruction of Macroeconomics” *Federal Reserve Bank of Minneapolis Quarterly Review*, Summer 1980. Available at <http://www.minneapolisfed.org/research/qr>
- Stacey Tevlin and Karl Whelan. “Explaining the Investment Boom of the 1990s,” *Journal of Money, Credit and Banking*, February 2003. Working paper version available at www.federalreserve.gov/pubs/feds/2000/200011/200011abs.html

3. Monetary Policy

What is the relationship between money and prices? How can we rigorously formulate models that allow for price stickiness? How does monetary policy work in such models? And how well do these models fit the data?

Readings:

- Lars Svensson. Lecture Notes 1 from Princeton course 504. Available online at http://www.princeton.edu/svensson/und/504/S2007/504p2_S07.htm.
- Milton Friedman. “The Role of Monetary Policy,” *American Economic Review*, March 1968 (JSTOR).
- Jordi Galí and Mark Gertler. “Inflation Dynamics: A Structural Econometric Analysis,” *Journal of Monetary Economics*, 1999. Available at www.nyu.edu/econ/user/gertlerm/jme99.pdf
- Jeremy Rudd and Karl Whelan. “Modelling Inflation Dynamics: A Critical Review of Recent Research,” forthcoming, *Journal of Money, Credit, and Banking*. Working paper version available at www.karlwhelan.com
- Jordi Galí and Mark Gertler. Macroeconomic Modeling for Monetary Policy Evaluation. Forthcoming *Journal of Economic Perspectives*. Available online at <http://www.crei.cat/people/gali/papers.html>
- Michael Woodford, “The Taylor Rule and Optimal Monetary Policy,” *American Economic Review*, May 2001. Working paper version available at www.princeton.edu/~Ewoodford/taylor.pdf