

## Preliminary Examination in Economics.

Paper 2, Macroeconomics.

Eight lectures, Lent Term 1997

### "Topics in Macroeconomics"

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These eight lectures will be a freewheeling tour of some of the central areas of macroeconomics.

**Text:** The economic theory that will be developed and/or applied during the lectures can be found in most intermediate macroeconomic textbooks. A very readable one is N. Gregory Mankiw, Macroeconomics, Second Edition, Worth Publishers, New York, 1994. While the lectures will focus on a relatively small subset of the material covered in this book, students would be well advised to read all of it.

With this textbook comes a software programme for personal computers, Macrobytes (2<sup>nd</sup> edition), by David Weil, Worth Publishers 1994. This is not a bad introduction to PC literacy for students of economics. For those who cannot get enough of a good thing, there is The Student Guide and Workbook, (2<sup>nd</sup> edition) by Roger T. Kaufman, Worth Publishers 1994 can be used with the textbook and is recommended but not required.

In what follows, essential reading will be starred, optional readings unstarred.

Useful and not too technical up-to-date surveys of macroeconomic issues can be found in the NBER Macroeconomics Annual, edited since 1986.

Useful surveys and data on recent macroeconomic developments can be found in the following publications:

OECD Economic Outlook (semi-annual)  
IMF World Economic Outlook (Semi-annual).

Useful facts and analyses of macroeconomic developments from the perspective of the developing world can be found in the World Bank's World Development Report (annual).

The Economic Report of the President, followed by the Annual Report of the Council of Economic Advisers provides a good source of data on macroeconomic developments in the USA and interesting analyses of domestic US issues and world issues

from a US perspective.

The best daily newspaper is the Financial Times. The best weekly source of economic news is The Economist.

### **Material assumed to be familiar:**

#### **(1) Introduction, concepts and measurement.**

\*Mankiw, Chapters (1) and (2).

C. Romer [1986], "Is the stabilization of the post-war economy a figment of the data?", American Economic Review, June.

#### **(2) The economy in the long run.**

##### **(2.1) National income: its production, distribution and allocation.**

\*Mankiw, Chapter 3.

## **Lecture 1.**

### **Economic growth.**

\*Mankiw, Chapter 4.

\*Robert M. Solow, "A contribution to the theory of economic growth", Quarterly Journal of Economics, 70, February 1956, pp.65-94.

\*Robert M. Solow, "Growth Theory and After", American Economic Review, 78, June 1988.

Journal of Economic Perspectives, Fall 1988, Vol. 2, No.4, Symposium, "The Slowdown in Productivity Growth".

\*Alwyn Young, "A tale of two cities: factor accumulation and technical change in Hong Kong and Singapore", in O.J. Blanchard and Stanley Fischer eds. NBER Macroeconomics Annual, 1992, pp. 13-63 (including discussion).

## **Lecture 2.**

### **Consumption.**

\*Mankiw, Chapter 15.

Robert J. Barro, "Are government bonds net wealth?",  
"Journal of Political Economy", 82, Nov./Dec.1974.

\*J. Tobin, "The future of social security: one economist's assessment", in Theodore R. Marmor and Jerry L. Masham eds, Social security: beyond the rhetoric of crisis, Princeton University Press, 1988, pp. 41-68.

Hayashi, Fumio, "Why is Japan's saving rate so apparently high?", *NBER Macroeconomics Annual*, 1986, pp.

Journal of Economic Perspectives, Spring 1989, vol. 3, No.2, Symposium on the Budget Deficit, pp. 17-93.

\*B. Douglas Bernheim. "Ricardian equivalence: an evaluation of theory and evidence", in S. Fischer ed. *NBER Macroeconomics Annual, 1987*, pp. 263-315 (incl. discussion), 147-210.

Willem H. Buiter, "A guide to public sector debt and deficits", Economic Policy, 1, November 1985, pp. 1-79, (Appendices optional).

### Lecture 3.

#### Investment.

\*Mankiw, Chapter 17.

D. Jorgenson, "Capital theory and investment behavior", American Economic Review, Papers and Proceedings, 53, 1963, pp. 247-259.

Summers, Lawrence H., "Taxation and corporate investment: a q-theoretic approach", *Brookings Papers on Economic Activity*, 1981:1, pp. 67-140.

### Lectures 4&5.

#### The economy in the short run.

##### Introduction to economic fluctuations in an aggregate demand-aggregate supply framework.

\*Mankiw, Chapter 8

##### Aggregate demand (IS/LM).

\*Mankiw, Chapters 9 and 10.

\*Alan S. Blinder and Robert M. Solow, "Analytic foundations of fiscal policy", in A.S. Blinder et.al.

The economics of public finance, The Brookings Institution, 1973.

## Lecture 6.

The open economy in the short run.

\*Mankiw, Chapter 13.

## Lecture 7.

Aggregate supply in the short run.

\*Mankiw, Chapter 11.

\*Milton Friedman, "The role of monetary policy", American Economic Review, 58, pp. 1-17, 1968.

\*James Tobin, "Inflation and unemployment", American Economic Review, 66,2, March 1972.

\*J.B. Taylor, "Staggered wage setting in a macro model", American Economic Review, 69, pp.108-113, 1979.

\*O.J. Blanchard and L.H. Summers, "Hysteresis and the European Unemployment Problem", in S. Fischer ed. **NBER Macroeconomics Annual**, 1986, pp. 15-89 (including discussion)

\*Robert E. Lucas, "Econometric policy evaluation: A critique", in The Phillips curve and labor markets, Edited by K. Brunner and A.H. Meltzer, pp. 19-46, Carnegie-Rochester Conference Series, No.1, 1976.

Franco Modigliani, "The monetarist controversy or should we forsake stabilisation policy", American Economic Review, 69, pp. 1-19, 1977.

Willem H. Buiter, "The macroeconomics of Dr. Pangloss: a critical survey of the new classical macroeconomics", Economic Journal, 80, pp. 34-50, March 1980.

## Lecture 8.

The theory of real business cycles.

\*Mankiw, Chapter 14.

\*Symposium on "Real Business Cycles", Journal of Economic Perspectives, Summer 1989. (Contains articles by Mankiw; and Plosser).