

# UNIVERSITY OF CALGARY

## Department of Economics

### Economics 759 (01) Macroeconomic Theory

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Winter, 2013

#### *Topics & Readings*

## 1 Macroeconomics after the Crisis

Narayana Kocherlakota, “Modern Macroeconomic Models as Tools for Economic Policy.” *The Region* (2010), 5-21.

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

Apostolos Serletis, “Macroeconomics as a Science.” In William A. Barnett, *Getting it Wrong: How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy*. The MIT Press (2012).

## 2 The Solow Growth Model

Robert M. Solow, “A Contribution to the Theory of Economic Growth.” *Quarterly Journal of Economics* 70 (1956), 65-94.

Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth* (2nd edition). The MIT Press (2004), Chapters 1 and 2.

## 3 Neoclassical Growth Theory

Robert M. Solow, “Neoclassical Growth Theory.” In John B. Taylor and Michael Woodford (Eds.), *Handbook of Macroeconomics*, Vol. 1A. Elsevier (1999), Chapter 9.

Daron Acemoglu, *Introduction to Modern Economic Growth*. Princeton (2009), Chapters 8 and 9.

## 4 Endogenous Growth Theory

Paul M. Romer, “Capital Accumulation in the Theory of Long-Run Growth.” In Robert J. Barro (Ed.), *Modern Business Cycle Theory*. Harvard University Press, 1989.

Robert E. Lucas Jr., “On the Mechanics of Economic Development.” *Journal of Monetary Economics* 22 (1988), 3-42.

Bennett T. McCallum, “Neoclassical vs. Endogenous Growth Analysis: An Overview.” Federal Reserve Bank of Richmond *Economic Quarterly* 82 (1996), 41-71.

## 5 Productivity Measurement

Robert M. Solow, “A Contribution to the Theory of Economic Growth.” *Quarterly Journal of Economics* 70 (1957), 65-94.

Dale W. Jorgenson and Zvi Griliches, “The Explanation of Productivity Change.” *Review of Economic Studies* 34 (1967), 249–283.

Guohua Feng and Apostolos Serletis, “Productivity Trends in U.S. Manufacturing: Evidence from the NQ and AIM Cost Functions.” *Journal of Econometrics* 142 (2008), 281-311.

Guohua Feng and Apostolos Serletis, “A Primal Divisia Technical Change Index Based on the Output Distance Function.” *Journal of Econometrics* 159 (2010), 320-330.

Guohua Feng and Apostolos Serletis, “Undesirable Outputs and a Primal Divisia Productivity Growth Index Based on the Directional Output Distance Function.” *Journal of Econometrics* (forthcoming, 2013).

## 6 Theories of Economic Fluctuations

### a. *The Real Business-Cycle Model*

Robert G. King and Sergio Rebelo, “Resuscitating Real Business Cycles.” In John B. Taylor and Michael Woodford (Eds.), *Handbook of Macroeconomics*, Vol. 1B. Elsevier (1999), Chapter 14.

Benett T. McCallum, “Real Business Cycle Models.” In Robert J. Barro (Ed.), *Modern Business Cycle Theory*. Harvard University Press, 1989.

George McCandless, *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*. Harvard University Press (2008), Chapter 6.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010), Chapters 6-9.

### b. *The Price-Misperceptions Model*

David Romer, *Advanced Macroeconomics* (3rd edition). McGraw-Hill (2006), Chapter 6.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 15.

### c. *The New Keynesian Model*

David Romer, *Advanced Macroeconomics* (3rd edition). McGraw-Hill (2006), Chapter 6.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 16.

### d. *Chaotic Deterministic Fluctuations*

William A. Barnett, Apostolos Serletis, and Demitre Serletis, “Nonlinear and Complex Dynamics in Economics.” *Macroeconomic Dynamics* (forthcoming, 2013).

William A. Barnett and Apostolos Serletis, “Martingales, Nonlinearity and Chaos.” *Journal of Economic Dynamics and Control* 24 (2000), 703-724.

Serletis, Apostolos and Mototsugu Shintani, “Chaotic Monetary Dynamics with Confidence.” *Journal of Macroeconomics* 28 (2006), 228-252.

## 7 Monetary Policy

### a. *Neoclassical Monetary Growth Theory*

Bennett T. McCallum, "Inflation: Theory and Evidence." In B.M. Friedman and F.H. Hahn (Eds.), *Handbook of Monetary Economics* Vol. 2. North-Holland (1990), Chapter 18.

### b. *Empirical Evidence on the Neutrality and Superneutrality of Money*

Robert E. Lucas Jr., "Monetary Neutrality." *Journal of Political Economy* 104 (1996), 661-682.

Mark Fisher and John Seater, "Long-Run Neutrality and Superneutrality in an ARIMA Framework." *American Economic Review* 83 (1993), 402-415.

Robert King and Mark Watson, "Testing Long-Run Neutrality." Federal Reserve Bank of Richmond *Economic Quarterly* 83 (1997), 69-101.

Apostolos Serletis and Zisimos Koustas, "International Evidence on the Neutrality of Money." *Journal of Money, Credit and Banking* 30 (1998), 1-25.

Zisimos Koustas and Apostolos Serletis, "On the Fisher Effect." *Journal of Monetary Economics* 44 (1999), 105-130.

### c. *The Fiscal Theory of the Price Level*

Christopher A. Sims, "A Simple Model for Study of the Determination of the Price Level and the Interaction of Monetary and Fiscal Policy." *Economic Theory* 4 (1994), 381-399.

Michael Woodford, "Price Level Determinacy Without Control of a Monetary Aggregate." *Carnegie-Rochester Conference Series on Public Policy* 43 (1995), 1-46.

Matthew B. Canzoneri, Robert F. Cumby, and Behzad T. Diba, "Is the Price Level Determined by the Needs of Fiscal Solvency?" *American Economic Review* 91 (2001), 1221-1238.

Bennett T. McCallum, "Indeterminacy, Bubbles, and the Fiscal Theory of Price level Determination." *Journal of Monetary Economics* 47 (2001), 19-30.

### d. *The Welfare Cost of Inflation*

Martin Bailey, "The Welfare Cost of Inflationary Finance." *Journal of Political Economy* 64 (1956), 93-110.

Robert E. Lucas Jr., "Inflation and Welfare." *Econometrica* 68 (2000), 247-274.

Peter Ireland, "On the Welfare Cost of Inflation and the Recent Behavior of Money Demand." *American Economic Review* 99 (2009), 1040-1052.

Apostolos Serletis and Kazem Yavari, "The Welfare Cost of Inflation in Canada and the United States." *Economics Letters* 84 (2004), 199-204.

### e. *Money Measurement Matters*

William A. Barnett and Apostolos Serletis (Eds.), *The Theory of Monetary Aggregation*. Elsevier (2000), Chapters 1, 9, and 18.

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007), Chapters 15-17, 19-20, and 22-24.

William A. Barnett and Apostolos Serletis, "Consumer Preferences and Demand Systems." *Journal of Econometrics* 147 (2008), 210-224.

Apostolos Serletis, Khandokar Istiak, and Periklis Gogas, "Interest Rates, Leverage, and Money." *Open Economics Review* (forthcoming, 2013).

Apostolos Serletis and Periklis Gogas, "Divisia Monetary Aggregates, the Great Ratios, and Classical Money Demand Functions." *Journal of Money, Credit, and Banking* (forthcoming, 2013).

## 8 Fiscal Policy

Robert J. Barro, “The Neoclassical Approach to Fiscal Policy”. In Robert J. Barro (Ed.), *Modern Business Cycle Theory*. Harvard University Press, 1989.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010), Chapters 12, 13, and 14.

## 9 Asset Pricing

### a. *The Capital Asset Pricing Model*

Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri, *Financial Theory and Corporate Policy* (4th edition). Addison-Wesley (2005), Chapters 5 and 6.

### b. *The Permanent Income and Random Walk Hypotheses*

Robert E. Hall, “Stochastic Implications of the Life Cycle Permanent Income Hypothesis: Theory and Evidence.” *Journal of Political Economy* 86 (1978), 971-987.

### c. *Consumption and Risky Assets*

Rajnish Mehra and Edward C. Prescott, “The Equity Premium: A Puzzle.” *Journal of Monetary Economics* 15 (1985), 145-162.

Rajnish Mehra and Edward C. Prescott, “The Equity Premium: ABCs.” In Rajnish Mehra (Ed.), *Handbook of the Equity Risk Premium*. North-Holland (2008), Chapter 1.

Narayana R. Kocherlakota, “The Equity Premium: It’s Still a Puzzle.” *Journal of Economic Literature* 34 (1996), 41-71.

Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*. The MIT Press (2004), Chapter 13.

John Y. Campbell, “Asset Prices, Consumption, and the Business Cycle.” In John B. Taylor and Michael Woodford (Eds.), *Handbook of Macroeconomics*, Vol. 1C. Elsevier (1999), Chapter 19.

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