

MACROECONOMIC THEORY – PART ONE

Office hours:

David Romer: Th 2:00–4:00, 679 Evans

Todd Messer: TuTh 8:00–9:00 (location to be announced)

Readings with a “*” are required.

I. The Solow Model

*David Romer, *Advanced Macroeconomics*, fifth edition (New York: McGraw-Hill, 2019), Chapter 1.

Robert E. Lucas, Jr., “Why Doesn’t Capital Flow from Rich to Poor Countries?” *American Economic Review* 80 (May 1990), 92–96. www.jstor.org/stable/pdf/2006549.pdf

John Fernald and Brent Neiman, “Growth Accounting with Misallocation: Or, Doing Less with More in Singapore,” *American Economic Journal: Macroeconomics* 3 (April 2011), 29–74. www.jstor.org/stable/pdf/41237142.pdf

Thomas Piketty, *Capital in the Twenty-First Century*, translated by Arthur Goldhammer (Cambridge: Harvard University Press, 2014).

Thomas Piketty and Gabriel Zucman, “Capital Is Back: Wealth-Income Ratios in Rich Countries 1700–2010,” *Quarterly Journal of Economics* 129 (August 2014), 1255–1310. <https://doi.org/10.1093/qje/qju018>

*Matthew Rognlie, “A Note on Piketty and Diminishing Returns to Capital,” unpublished paper, M.I.T. June 2014. http://mattrognlie.com/piketty_diminishing_returns.pdf

Matthew Rognlie, “Deciphering the Fall and Rise in the Net Capital Share: Accumulation or Scarcity?” *Brookings Papers on Economic Activity*, Spring 2015, 1–54. www.jstor.org/stable/pdf/43684097.pdf

II. The Ramsey-Cass-Koopmans Model and Dynamic Optimization

*David Romer, *Advanced Macroeconomics*, fifth edition, Chapter 2, Part A.

Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth*, second edition (Cambridge: MIT Press, 2004), Chapter 2 and Appendix A.3 (at end of book).

Maurice Obstfeld, "Dynamic Optimization in Continuous-Time Economic Models (A Guide for the Perplexed)," unpublished paper, U.C. Berkeley, April 1992. Sections I and II. <http://www.econ.berkeley.edu/~obstfeld/ftp/perplexed/cts4a.pdf>

Pierre-Olivier Gourinchas. "Notes for Econ202A: The Ramsey-Cass-Koopmans Model," unpublished notes, University of California, Berkeley, Fall 2015. Especially Section 2.4.3 through the end. <https://www.econ.berkeley.edu/sites/default/files/course-homepage/2018-09-04/lecture-notes/POG%20Ramsey-Cass-Koopmans%20Notes.pdf>

Martin Weitzman, *Income, Wealth, and the Maximum Principle* (Cambridge: Harvard University Press, 2003).

III. Overlapping Generations

*David Romer, *Advanced Macroeconomics*, fifth edition, Chapter 2, Part B.

Olivier J. Blanchard and Charles M. Kahn, "The Solution of Linear Difference Models under Rational Expectations," *Econometrica* 48 (September 1980), 1305–1311. www.jstor.org/stable/pdf/1912186.pdf

Olivier J. Blanchard, "Debts, Deficits, and Finite Horizons," *Journal of Political Economy* 93 (April 1985), 223–247. <http://www.jstor.org/stable/pdf/1832175>

Jean Tirole, "Asset Bubbles and Overlapping Generations," *Econometrica* 53 (November 1985) 1499–1528. www.jstor.org/stable/pdf/1911012.pdf

*Gauti B. Eggertsson, Neil R. Mehrotra, and Jacob A. Robbins, "A Model of Secular Stagnation: Theory and Quantitative Evaluation," *American Economic Journal: Macroeconomics* 11 (January 2019): 1–48. Sections I–III only. <https://www.aeaweb.org/articles/pdf/doi/10.1257/mac.20170367>

IV. Endogenous Growth Theory

*David Romer, *Advanced Macroeconomics*, fifth edition, Chapter 3.

Paul M. Romer, "Endogenous Technical Change," *Journal of Political Economy* 98 (October 1990, Part 2), S71–S102. www.jstor.org/stable/pdf/2937632.pdf

Robert E. Lucas, Jr., "On the Mechanics of Economic Development," *Journal of Monetary Economics* 22 (July 1988), 3–42. [http://dx.doi.org/10.1016/0304-3932\(88\)90168-7](http://dx.doi.org/10.1016/0304-3932(88)90168-7)

- Charles I. Jones, "Growth and Ideas," in Philippe Aghion and Steven Durlauf, eds., *Handbook of Economic Growth*, Volume 1B (Amsterdam: Elsevier, 2005), 1063–1111. [http://dx.doi.org/10.1016/S1574-0684\(05\)01016-6](http://dx.doi.org/10.1016/S1574-0684(05)01016-6)
- *Charles I. Jones, "Time-Series Tests of Endogenous Growth Models," *Quarterly Journal of Economics* 110 (May 1995), 495–525.
<https://www-jstor-org.libproxy.berkeley.edu/stable/2118448>
- Michael Kremer, "Population Growth and Technical Change: One Million B.C. to 1990," *Quarterly Journal of Economics* 108 (August 1993), 681–716.
<http://www.jstor.org/stable/pdfplus/2118405.pdf>
- Oded Galor, *Unified Growth Theory* (Princeton: Princeton University Press, 2011).
- Robert J. Gordon, "The Demise of U.S. Economic Growth: Restatement, Rebuttal, and Reflections." NBER Working Paper No. 19895 (February 2014).
www.nber.org/papers/w19895.pdf
- *Charles I. Jones and Jihee Kim, "A Schumpeterian Model of Top Income Inequality," *Journal of Political Economy* 126 (October 2018): 1785–1826. Sections I – III only.
<https://www-journals-uchicago-edu.libproxy.berkeley.edu/doi/pdfplus/10.1086/699190>

V. Cross-Country Income Differences

- *David Romer, *Advanced Macroeconomics*, fifth edition, Chapter 4.
- *Robert E. Hall, and Charles I. Jones, "Why Do Some Countries Produce So Much More Output per Worker than Others?" *Quarterly Journal of Economics* 114 (February 1999), 83–116. <https://www-jstor-org.libproxy.berkeley.edu/stable/2586948>
- Peter J. Klenow and Andrés Rodríguez-Clare, "The Neoclassical Revival in Growth Economics: Has It Gone Too Far?" *NBER Macroeconomics Annual* 12 (1997), 73–103.
www.jstor.org/stable/pdf/3585220.pdf
- Chang-Tai Hsieh and Peter J. Klenow, "Relative Prices and Relative Prosperity." *American Economic Review* 97 (June 2007), 562–585.
<http://www.jstor.org/stable/pdf/30035012/pdf>
- *Chang-Tai Hsieh and Peter J. Klenow, "Misallocation and Manufacturing TFP in China and India," *Quarterly Journal of Economics* 124 (November 2009), 1403–1448. Sections I–VI only. <https://www-jstor-org.libproxy.berkeley.edu/stable/40506263>

Martin Rotemberg and T. Kirk White. "Measuring Cross-Country Differences in Misallocation." Unpublished paper, New York University (July 2017). https://wp.nyu.edu/mrotemberg/wp-content/uploads/sites/8049/2017/09/rotemberg_white_measurement_17_07.pdf

*Stelios Michalopoulos and Elias Papaioannou, "National Institutions and Subnational Development in Africa," *Quarterly Journal of Economics* 129 (February 2014), 151–213. <https://academic-oup-com.libproxy.berkeley.edu/qje/article-pdf/129/1/151/17093393/qjt029.pdf>

Daron Acemoglu, "Why Not a Political Coase Theorem? Social Conflict, Commitment and Politics." *Journal of Comparative Economics* 31 (December 2003), 620–652. <http://dx.doi.org/10.1016/j.jce.2003.09.003>

VI. The Looming Fiscal Crisis (time permitting)

David Romer, *Advanced Macroeconomics*, fifth edition, "Empirical Application: Is U.S. Fiscal Policy on a Sustainable Path?" 666–669.

Alan J. Auerbach, William G. Gale, Aaron Krupkin, "If Not Now, When? New Estimates of the Federal Budget Outlook," unpublished paper, University of California, Berkeley, February 2019. <https://eml.berkeley.edu/~auerbach/AGK%202.11.19.pdf>