

Advanced Macroeconomics – Fall 2008
Faculdade de Economia, Universidade Nova de Lisboa
Prof. André C. Silva acsilva@fe.unl.pt Room 334

Classes: Mondays and Thursdays 17:00-18:30, room 240.

The objective of this course is to study recent research in Macroeconomics and to stimulate your own research. We study papers in Monetary Economics, Finance, Labor and Economic Growth.

Evaluation

The evaluation is based on a presentation of a paper chosen by you and a research project.

Final Grade = 0.4×Paper Presentation+0.6×Paper Project

The grade of the presentation depends on your own presentation and on your participation during the presentation of your colleagues. The paper project is a proposal and development of a research topic.

Course Outline and Reading List

We will follow papers most of the time, but two useful books are

Ljungqvist, Lars and Thomas J. Sargent, *Recursive Macroeconomic Theory*, and
Stokey, Nancy, Robert Lucas, and Edward Prescott, *Recursive Methods in Economic Dynamics*.

1. Monetary Economics

Alvarez, Fernando and Andrew Atkeson (1997). “Money and Exchange Rates in the Grossman-Weiss-Rotemberg Model.” *Journal of Monetary Economics*, 40: 619-640.

Alvarez, Fernando, Andrew Atkeson and Patrick Kehoe (2002). “Money, Interest Rates, and Exchange Rates with Endogenously Segmented Markets.” *Journal of Political Economy*, 110(1): 73-112.

Alvarez, Fernando, Andrew Atkeson, and Chris Edmond (2003). “On the Sluggish Response of Prices to Money in an Inventory-Theoretic Model of Money Demand.” National Bureau of Economic Research, Working Paper 10016.

Lucas, Robert E. (1990). “Liquidity and Interest Rates.” *Journal of Economic Theory*, 50: 871-880.

Lucas, Robert E. (2000). “Inflation and Welfare.” *Econometrica*, 68(2): 247-274.

Lucas, Robert E., Fernando Alvarez, and Warren Weber (2001). “Interest rate and Inflation.” *American Economic Review*, Papers and Proceedings.

Grossman, Sanford and Laurence Weiss (1983). “A Transactions Based Model of the Monetary Transmission Mechanism.” *American Economic Review*, 73: 871-880.

Chapters 8, 9 Stokey and Lucas

2. Macroeconomics and Corporate Finance

Faure-Grimaud, Antoine, and Denis Gromb (2004). "Public Trading and Private Incentives." *Review of Financial Studies*, 17(4): 985-1014.

Nick Bloom, Raffaella Sadun, and John Van Reenen (2007). "Americans Do I.T. Better: US Multinationals and the Productivity Miracle" NBER Working Paper 13085.

3. Macroeconomic Risk and Asset Pricing

Bansal, Ravi (2007). "Long-Run Risks and Financial Markets." Federal Reserve Bank of St. Louis *Review*, 89(4): 283-299.

Lettau, Martin and Sydney Ludvigson (2004). "Understanding Trend and Cycle in Asset Values: Reevaluating the Wealth Effect on Consumption." *American Economic Review*, 94(1): 279-299.

Lettau, Martin, Sydney Ludvigson and Jessica Wachter (2008). "The Declining Equity Premium: What Role Does Macroeconomic Risk Play?" *Review of Financial Studies*, 21(4): 1653-1687.

4. Economic Growth and Capital Flows: Total Factor Productivity, Capital or Labor?

Caselli, Francesco, and James Feyrer (2007). "The Marginal Product of Capital." *Quarterly Journal of Economics*, 122(2): 535-568.

Klenow, Peter J., and Andrés Rodríguez-Clare (1997). "The Neoclassical Revival in Growth Economics: Has It Gone Too Far?" In Ben S. Bernanke and Julio J. Rotemberg (eds.), *NBER Macroeconomics Annual 1997*: 73-103. Cambridge, MA: MIT Press.

Klenow, Peter J., and Andrés Rodríguez-Clare (2005). "Externalities and Growth." In Philippe Aghion and Steven N. Durlauf (eds.), *Handbook of Economic Growth*, vol. 1A. North-Holland: Amsterdam.

Lucas, Robert E. (1990). "Why Doesn't Capital Flow from Rich to Poor Countries?" *American Economic Review*, 80: 92-96.

Murphy, Kevin M., Andrei Shleifer and Robert W. Vishny (1991). "The Allocation of Talent: Implications for Growth." *Quarterly Journal of Economics*, 106(2): 503-530.

Vandenbussche, Jerome, Philippe Aghion and Costas Meghir (2006). "Growth, Distance to Frontier and Composition of Human Capital." *Journal of Economic Growth*, 11(2): 97-127.

5. Equilibrium Models of Unemployment

Alvarez, Fernando and Marcelo Veracierto (1999). "Labor Market Policies in an Equilibrium Search Model." In Bernanke, B.S., and Rotemberg, J.J. (Eds.), *NBER Macroeconomics Annual*, 14: 265-304. MIT Press, Cambridge.

Lucas, Robert E., and Edward C. Prescott (1974). "Equilibrium Search and Unemployment." *Journal of Economic Theory*, 7(2): 188-209.

Ljungqvist, Lars and Thomas J. Sargent (2005). "Jobs and Unemployment in Macroeconomic Theory: A Turbulence Laboratory." Working Paper.

Chapters 11, 12 Stokey and Lucas