Macroeconomic Theory I: Intertemporal Choice

Professor Christopher D. Carroll

Office Hours: Make An Appointment Yourself (read the “rules” link)

Teaching Assistant:
Mateo Velasquez-Giraldo <mvelasq2>
Office Hours: Monday, 14:00-16:00 over Zoom

If you’re a Google Calendar user, you should be able to subscribe to the course calendar using the following Calendar ID (after logging into your Google account, copy and paste the text into the “Other Calendars” box in http://calendar.google.com):

jhuecon.org_v2kso2hp1memk0vka1gomvorm8@group.calendar.google.com

If you are not yet a Google Calendar user, you should become one; items that I post on the calendar will be viewed as having been distributed to the class. If you insist on boycotting Google, however, you can see the calendar if you click HERE

This course presents theory and evidence about the dynamic behavior of households, firms, and the macroeconomy as a whole. We will begin with a thorough discussion of the consumption/saving problem of households, including the role of uncertainty, and then discuss investment behavior of firms, including the relationship between financial markets and firm behavior. We move next to a discussion of the application of dynamic models of firms and households to the process of economic growth, and conclude by studying aggregate macroeconomic models with dynamically optimizing firms and households.

This syllabus contains required and recommended readings for each topic. Required readings are indicated by a *. You should own a copy of the texts by Blanchard and Fischer (1989), Deaton (1992), Romer (2011) and Sargent and Ljungqvist (2012).

Students from other departments are welcome to take the course, but they should be prepared for regular use of higher mathematics (multivariate calculus, probability and statistics, functional analysis) which will be employed later in the course.

Course handouts are available at:
http://www.econ2.jhu.edu/people/ccarroll/courses/Choice/LectureNotes
1 Course Intro: Methodology for Macroeconomists

Bib: Method.bib

Handouts: CourseIntro

Readings:

∗ Summers (1991)
∗ Acemoglu (2009)
∗ Krugman (2012)
∗ Caballero (2010)
∗ Barbera (2010)
∗ Romer (2016)

2 Consumption

Bib: Consumption.bib

Handouts: Consumption

Readings:

2.1 Introduction and Overview

∗ Friedman (1957), Chapters I, II, III
∗ Deaton (1992), Preface; pp. 76-81

2.2 The Life Cycle and Overlapping Generations Models

∗ Deaton (1992), pp. 1-6
∗ Blanchard and Fischer (1989), Chapter 3: Introduction, pp. 91-113
Diamond (1965)
Feldstein (1974)
∗ Modigliani (1986)
2.3 The Infinite Horizon Representative Agent Model

* Deaton (1992), Chapter 3
* Hall (1978)
  Flavin (1981)
  Campbell and Deaton (1989)
* Campbell and Mankiw (1989)
  Hall (1988)
  Carroll, Fuhrer, and Wilcox (1994)

2.4 Consumption with Uncertainty and/or Liquidity Constraints

* Deaton (1992), Chapter 6
  Zeldes (1989)
  Caballero (1990)
  Deaton (1991)
  Toche (2005)
* Carroll (2001b)
* Carroll and Kimball (2007)
* Carroll and Summers (1991)
  Carroll (2022)
  Carroll (2001a)
2.5 Consumption Based Asset Pricing

* Lucas (1978)
* Mehra and Prescott (1985)
  Blanchard (1989)
  Carroll (2008)

3 Investment

Bib: Investment.bib

Handouts: Investment

Readings:

* Blanchard and Fischer (1989), Chapter 2, pages 58–69; Chapter 6, pp 291–302
  Hall and Jorgenson (1967)
* Hayashi (1982)
* Eberly and Abel (1994)
* Cummins, Hassett, and Hubbard (1994)

4 Growth

Bib: Growth.bib

Handouts: Growth

* Blanchard and Fischer (1989), Chapter 2, pp 37-57
* Deaton (2013)
* Sala-i Martin (1990)
  King and Rebelo (1993)
  Phelps (1961)
5 Real Business Cycle Models

Bib: DSGEModels.bib

Handouts: DSGEModels

* Blanchard and Fischer (1989), Chapter 1
* Blanchard and Fischer (1989), Chapter 7
* Prescott (1986)
* Summers (1986)
Readings (click to download .bib file)


**Deaton, Angus** (2013): “Weak States, Poor Countries,” Available at *Project Syndicate*.


