

Graduate Macroeconomics 1

Sciences Po, 2016 Autumn

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Syllabus

This course consists of three main topics: economic growth, long-run inequality, and search and matching in the labor market. The first part of the course is an introduction to the theory of economic growth. We will use these models to shed light both on the process of economic growth at the world level and on sources of income and growth differences across countries.

Part 1: Economic growth

For this part of the course there are several textbooks that can be useful. Daron Acemoglu's textbook 'Introduction to Modern Economic Growth' (**DA**), Princeton University Press, is the main reference, but covers the topics much more in depth and more technically than what is required for this course. Barro and Sala-i-Martin, 'Economic Growth' (**BSM**), MIT Press, is another excellent reference, which contains the essence of the material. Finally, David Romer's 'Advanced Macroeconomics' (**DR**), McGraw-Hill/Irwin, also covers most of the theory.

1.1 Growth facts and the Solow model

- **DA** Chapters 1-3, **BSM** Introduction & Chapter 1, **DR** Chapter 1
- Jones, Charles (1997), 'On The Evolution of the World Income Distribution', *Journal of Economic Perspectives* Vol. 11, pp. 19-36.
- Sala-I-Martin, Xavier (1997), 'I Just Ran Two Million Regressions', *The American Economic Review* Vol. 87, No. 2, *Papers and Proceedings of the Hundred and Fourth Annual Meeting of the American Economic Association*, pp. 178-183
- Lucas, Robert Jr (1990), 'Why doesn't capital flow from rich to poor countries?', *American Economic Review*, Vol. 80, No. 2., pp. 92-96

1.2 The neoclassical growth model

- **DA** Chapters 5 & 8, **BSM** Chapter 2 & 3, **DR** Chapter 2 Part A

- N. Gregory Mankiw, David Romer, David N. Weil (1992): A Contribution to the Empirics of Economic Growth, *The Quarterly Journal of Economics*, Vol. 107, No. 2 (May, 1992), pp. 407-437
- Robert E. Hall and Charles I. Jones (1999): Why Do Some Countries Produce So Much More Output Per Worker Than Others?, *The Quarterly Journal of Economics*, Vol. 114, No. 1 (Feb., 1999), pp. 83-116
- Chang-Tai Hsieh, and Peter J. Klenow (2010): Development Accounting, *American Economic Journal: Macroeconomics*, 2(1): 207-23.
- Francesco Caselli (2005): Accounting for Cross-Country Income Differences (Parts 1 & 2), *Handbook of Economic Growth*, in: Philippe Aghion and Steven Durlauf (ed.), *Handbook of Economic Growth*, edition 1, volume 1, chapter 9, pages 679-741 Elsevier.

1.3 Overlapping generations models

- **DA** Chapter 9, **DR** Chapter 2 Part B
- Abel, Andrew B., N. Gregory Mankiw, Lawrence H. Summers, Richard J. Zeckhauser (1989), 'Assessing Dynamic Efficiency: Theory and Evidence', *Review of Economic Studies*, Vol. 56, No. 1, pp. 1-19.
- Weil, Philippe (2008), 'Overlapping Generations: The First Jubilee Page', *The Journal of Economic Perspectives* Vol. 22, pp. 115-134.

1.4 Endogenous growth

- **DA** Chapter 13.1, **BSM** Chapter 6
- Romer, Paul M. (1990): 'Endogenous Technological Change', *Journal of Political Economy*, Vol. 98, No. 5, Part 2, pp. S71-S102
- Jones, Charles I.(1995): 'R&D-Based Models of Economic Growth', *Journal of Political Economy*, Vol. 103, No. 4, pp. 759-784.
- Jones, Charles I.(1995): 'Time Series Tests of Endogenous Growth Models', *The Quarterly Journal of Economics*, Vol. 110, No. 2, pp. 495-525.
- Daron Acemoglu and Joshua Linn (2004): Market Size in Innovation: Theory and Evidence from the Pharmaceutical Industry, *The Quarterly Journal of Economics*, Vol. 119, No. 3 (Aug., 2004), pp. 1049-1090

Part 2: Long-run inequality trends

2.1 The skill premium and directed technical change

- Lawrence F. Katz and Kevin M. Murphy (1992): *Changes in Relative Wages, 1963-1987: Supply and Demand Factors*, *The Quarterly Journal of Economics*, Vol. 107, No. 1
- Daron Acemoglu and David H. Autor (2011): *'Skills, Tasks and Technologies: Implications for Employment and Earnings'*, *Handbook of Labor Economics Volume 4*, Orley Ashenfelter and David E. Card (eds.), Amsterdam: Elsevier, 2011, especially parts 3.1-3.3
- DA Chapter 15.1-15.3
- Daron Acemoglu (2002): *'Directed Technical Change'*, *Review of Economic Studies*, Vol. 69., No. 4., pp. 781-809
- Walker Hanlon: *'Necessity is the Mother of Invention: Input Supplies and Directed Technical Change'*, *Econometrica*, forthcoming
- Per Krusell, Lee E. Ohanian, Jos-Vctor Ros-Rull and Giovanni L. Violante (2000): *Capital-skill Complementarity and Inequality: A Macroeconomic Analysis*, *Econometrica*, Vol. 68, No. 5

2.2 Structural change

- Kongsamut Rebelo and Xie (2001): *'Beyond Balanced Growth'*, *Review of Economic Studies*, Vol. 68., 869-882.
- Ngai and Pissarides (2007): *'Structural Change in a Multisector Model of Growth'*, *American Economic Review*, vol. 97(1), pages 429-443
- Berthold Herrendorf, Richard Rogerson, Akos Valentinyi: *Growth and Structural Transformation*, *Handbook of Economic Growth*, vol. 2B. North Holland, Amsterdam and New York, pp. 855-941 (Chapter 6).

Part 3: Labor markets, unemployment, search and matching

3.1 Introduction and the one-sided search model

- Shimer (2005): *Reassessing the Ins and Outs of Unemployment*, NBER WP13421
- Rogerson, Shimer, and Wright (2005): *Search-Theoretic Models of the Labor Market: A Survey*, *Journal of Economic Literature*, Vol. 43, pp. 959-988

3.2 Two-sided search models

- Pissarides (2000): *Equilibrium Unemployment Theory*, MIT Press, Chapter 1
- Shimer, Robert (2005): *The Cyclical Behavior of Equilibrium Unemployment and Vacancies*, *American Economic Review*, 95(1): 25-49.
- Hall, Robert E. (2005): *Employment Fluctuations with Equilibrium Wage Stickiness*, *American Economic Review*, 95(1): 50-65.
- Pissarides, Christopher A. (2009): *The Unemployment Volatility Puzzle: Is Wage Stickiness the Answer?*, *Econometrica*, vol. 77(5), pages 1339-1369, 09.