

ISEG, 2014-2015

Tópicos de Macroeconomia / Topics of Macroeconomics

Syllabus

1. Heterogeneity and macroeconomic dynamics
2. Economic growth and fiscal policy
3. Fiscal-monetary policy interactions
4. Financial markets and fiscal policy

Objectives

Study of recent research topics in macroeconomics, following the analysis, presentation and discussion of relevant articles.

References

Books

- Heijdra, B. (2009). *Foundations of Modern Macroeconomics*, 2nd ed. Oxford: Oxford University Press.
- Ljungqvist, L., Sargent, T. (2004). *Recursive Macroeconomic Theory*, 2nd ed. Cambridge Mass.: The MIT Press.
- Romer, D. (2011). *Advanced Macroeconomics*, 4th ed. New York: McGraw-Hill.
- Wickens, M. (2008) *Macroeconomic Theory: A dynamic general equilibrium approach*, Oxford: Princeton University Press.

Articles

- Afonso, A., St. Aubyn, M. (2009). "Macroeconomic Rates of Return of Public and Private Investment: Crowding-in and Crowding-out Effects", *Manchester School* 77 (S1), 21-39.
- Benhabib, J., Farmer, R. (1996). "Indeterminacy and Sector-Specific Externalities", *Journal of Monetary Economics* 37 (3), 421-443.
- Blanchard, O. (1985). "Debt, Deficits and Finite Horizons", *Journal of Political Economy* 93 (2), 223-247.
- Bleaney, M., Gemmell, N., Kneller, R. (2001). "Testing the endogenous growth model: public expenditure, taxation, and growth over the long-run", *Canadian Journal of Economics* 34 (1), 36-57.
- Bourguignon, F. (1974). "A Particular Class of Continuous-Time Stochastic Growth Models", *Journal of Economic Theory* 9 (2), 141-158.
- Brock, W., Mirman, L. (1972). "Optimal Economic Growth and Uncertainty: The discounted case", *Journal of Economic Theory* 4 (3), 419-513.
- Codogno, L., Favero, C., Missale, A. (2003). "Yield Spreads on EMU Government Bonds", *Economic Policy* 18 (37), 503-532.
- Diamond, P. (1965). "National Debt in a Neoclassical Growth Model", *American Economic Review* 55 (5), 1126-1150.
- Galí, J. (1994). "Monopolistic Competition, Business Cycles, and the Composition of Aggregate Demand", *Journal of Economic Theory* 63 (1), 73-96.
- Galí, J., López-Salido, D., Vallés, J. (2007). "Understanding the effects of government spending on consumption", *Journal of the European Economic Association* 5 (1), 227-270.
- Greenwald, B., Stiglitz, J. (1993). "Financial Market Imperfections and Business Cycles", *Quarterly Journal of Economics* 98 (1), 77-114.
- Jaimovich, N. (2007). "Firm Dynamics and Markup Variations: Implications for sunspot equilibria and endogenous economic fluctuations", *Journal of Economic Theory* 137 (1), 300-325.
- Kiyotaki, N., Moore, J. (1997). "Credit Cycles", *Journal of Political Economy* 105 (2), 211-248.

- Krusell, P., Smith, A. (1998). "Income and Wealth Heterogeneity in the Macroeconomy", *Journal of Political Economy* 106 (5), 867-896.
- Lucas, R., (1986). "Asset Prices in an Exchange Economy", *Econometrica* 46 (6), 1429-1445, 1978.
- Mehra, E., Prescott, E., "The Equity Premium: A puzzle", *Journal of Monetary Economics* 15 (2), 145-162.
- McCallum, B. (2001). "Indeterminacy, Bubbles, and the Fiscal Theory of Price Level Determination", *Journal of Monetary Economics* 47 (1), 19-30.

Schedule

Sessions: Thursday, 18:00-20:00h, room 109 (F2)

Date	Topic	Presenter
26.02.2015	Presentation	A. Afonso
05.03.2015	Presentation	A. Afonso

Date	Topic	Presenter	Discussant
16.04.2015	Paper 1	Student 1	
23.04.2015	Paper 2	Student 2	
30.04.2015	Paper 3	Student 3	
07.05.2015	Paper 4	Student 1	
14.05.2015	Paper 5	Student 2	
21.05.2015	Paper 6	Student 3	

- Heterogeneity and macroeconomic dynamics: Krusell and Smith (1998).
- Private spending and government spending: Galí et al. (2007).
- Growth and investment: Afonso and St. Aubyn (2009).
- Economic growth and fiscal policy: Bleaney et al. (2001).
- Fiscal-monetary policy interactions: McCallum (2001).
- Financial markets and fiscal policy: Codogno et al. (2003).

The presentation of the articles must have the following features:

1. To be based upon the projection of overheads that are known as the presentation file (e.g. PowerPoint, Beamer);
2. To have the maximum duration of 60 minutes;
3. To have the following structure:
 - article topic;
 - relevant-literature framework;
 - the basic research question and the answer to it;
 - describing the basic model and its working;
 - main results;
 - conclusions.
4. The contribution to the strand of literature and recent developments.

Signing up deadline: 5 March 2015. Send e-mail message to aafonso@iseg.ulisboa.pt. The students should coordinate among themselves to choose the papers and the respective discussants.

Deadline for sending the presentation file: via e-mail to aafonso@iseg.ulisboa.pt up to the end of the preceding Friday in PDF format. Additionally, the file should be sent to the discussant student.

The discussion of the articles must have the following features:

1. To be based upon the presentation file produced by the presenter and made available at least 4 days in advance;
2. To have the maximum duration of 20 minutes;
3. To have the following structure:
 - brief abstract of the paper contents;
 - agreement points with the presenter;
 - disagreement points with the presenter;
 - the contribution to the strand of literature.

Grading

The class presentations by the students will count for 50% of the final grade (article presentation, 35%, article discussion, 15%); the final written exam counts for 50% of the final grade.

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