



## Doctoral Seminar in Macroeconomics Winter semester 2006-2007

Signe Krogstrup and Charles Wyplosz

### Course description:

This seminar is required for all doctoral students with a specialization in macroeconomics. It is designed to discuss the evolution of the field and to explore in some details a number of recent advances. The topics to be covered can be adjusted (within limits) to student interests.

### Course format:

The seminar will be based on a mixture of lectures, invited presentations and student presentations. Each student will present a paper in a topic, possibly related to his/her field of research (20 min), and will also act as discussant of another student's presentation (5 min).

### Grading:

The grade will be based on the student's presentations and on class participation.

### Time and Place

Thursdays 14:15 in Rigot

### Readings:

Lectures and presentations will mainly be based on articles which are available online (links can be found on the course homepage). The few articles which cannot be downloaded will be handed out in class. Note that there will not be a photocopié for this class.

### Prerequisites for taking the class:

Students are expected to be familiar with macroeconomic theory as covered in O. Blanchard and S. Fischer, *Lectures in Macroeconomics* and D. Romer, *Advanced Macroeconomics*.

### Reference textbooks:

Obstfeld, Maurice and Kenneth Rogoff, *Foundations of International Economics*, MIT Press, 1996. (O&R)

Persson, Torsten and Guido Tabellini (2000) *Political Economics*, MIT Press. (P&T)

Woodford, Michael (2003) *Interest and Prices*, Princeton University Press.

## **Outline**

(Papers marked with an asterisk are intended for student presentations)

### **1. New Keynesian Open Economy Macroeconomic Models**

Corsetti, Giancarlo and Paolo Pesenti (2001) "Welfare and Macroeconomic Interdependence", *Quarterly Journal of Economics* 116: 421-445.  
<http://www.newyorkfed.org/rmaghome/economist/pesenti/wamin98.pdf>.

Obstfeld, Maurice and Kenneth Rogoff (1995) "Exchange Rate Dynamics Redux" *Journal of Political Economy* 103: 624-60. Also in: O&R Chapter 10: 659-684.

Lane, Phillip (2001) "The New Open Economy Macroeconomics: A Survey", *Journal of International Economics* 54: 235-266.  
<http://www.economics.tcd.ie/plane/lanesurveyjieβnalnew.pdf>.

Obstfeld, Maurice and Kenneth Rogoff (2000) "New Directions for Stochastic Open Economy Models", *Journal of International Economics* 50: 117-53.

### **2. Political Equilibria 1: Median voter models**

P&T, Chapter 2 - 3.

\*Metzler and Richards, 1981, A Rational Theory of the Size of Government, *Journal of Political Economy* 89(5): 914-927

\*Krogstrup, Signe and Sébastien Wälti, 2006, Women and Budget Deficits, working paper

### **3. Political Equilibria 2: Agency models**

P&T, Chapter 4.

Rogoff, Kenneth, 1990, Equilibrium Political Business Cycles, *American Economic Review* 80(1): 21-36

Besley, Timothy and Michael Smart, 2003, Fiscal Restraints and Voter Welfare, Unpublished Manuscript, LSE

Seabright, Paul, 1996, Accountability and Decentralization in Government: An Incomplete Contracts Model, *European Economic Review* 40(1), 61-89

\*Alt, James E. and David Dreyer Lassen, 2006, Fiscal transparency, political parties and debt in OECD countries, *European Economic Review* 50: 1403-39

### **4. Political Economy of Fiscal Policy: The deficit bias**

Alesina, Alberto and Guido Tabellini, 1990. A Positive Theory of Fiscal Deficits and Government Debt, *Review of Economic Studies* 57: 403-14.

\*Von Hagen, Juergen and Ian Harden, "Budget Processes and Commitment to Fiscal Discipline", *European Economic Review*, April 1995; 39(3-4): 771-79. (More detailed version published as IMF Working Paper WP/96/78)

Krogstrup, Signe and Charles Wyplosz, "A Common Pool Theory of Deficit Bias Correction", CEPR Discussion Paper No. 5866, October 2006.

Von Hagen, Juergen, "Political Economy of Fiscal Institutions", GESY Discussion Paper No. 149, November 2005.

Alesina, Alberto and Allan Drazen (1991) "Why Are Stabilizations Delayed?", *American Economic Review* 81: 1170-88.

\*Alesina, Alberto, Silvia Ardagna and Francesco Trebbi (2006) "Who Adjusts and When?", *IMF Staff Papers* 53: 1-29.

Grossman, Gene M. and Elhanan Helpman, 2006, Separation of powers and the budget process, NBER WP No. 12332

Gali, Jordi, David Lopez-Salido and Jabier Vallès (2004) "Understanding the Effect of Government Spending on Consumption", ECB Working Paper 339.  
<http://www.ecb.int/pub/pdf/scpwps/ecbwp339.pdf>

## **5. Inflation Targeting, Credibility and Transparency**

\*Svensson, Lars E.O. (2000) "Open-Economy Inflation Targeting", *Journal of International Economics* 50: 155-183.

\*Geraats, Petra, "Central Bank Transparency", *Economic Journal* 112(483): F532-65, November 2002.

Clarida, Richard, Jordi Gali and Mark Gertler (2001) "Optimal Monetary Policy in Open versus Closed Economies: An Integrated Approach", *American Economic Review Papers and Proceedings* 91: 248-252.

Morris, Stephen and Hyun Song Shin (2002) "The Social Value of Public Information", *American Economic Review* 92, 1521-1534.

Gosselin, Pierre, Aileen Lotz and Charles Wyplosz "How Much Information Should Interest Rate-Setting Central Banks Reveal?", CEPR Discussion Paper No. 5666, May 2006.

Svensson, Lars E. O. and Noah Williams, "Monetary Policy With Model Uncertainty: Distribution Forecast Targeting", NBER Working Paper 11733.  
<http://www.nber.org/papers/w11733>

## **6. Growth and Democracy**

\*Persson, Torsten and Guido Tabellini, "Democratic Capital: The Nexus of Political and Economic Change", CEPR Discussion Paper No. 5654, May 2006.

\*Barro, Robert (1996), "Democracy and Growth", *Journal of Economic Growth* 1, 1-27.

Acemoglu, Daron, Simon Johnson, James A. Robinson and Pierre Yared "Income and Democracy", October 2006. [http://econ-www.mit.edu/faculty/download\\_pdf.php?id=1090](http://econ-www.mit.edu/faculty/download_pdf.php?id=1090)

Aghion, Philippe, Alberto Alesina and Francesco Trebbi (2004) "Endogenous Political Institutions", *Quarterly Journal of Economics* 119(2): 565-611.

Glaeser, Edward L., Rafael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer (2004) "Do Institutions Cause Growth?", *Journal of Economic Growth*, Vol. 9(3): 271-303

## **7. Financial Integration and Globalization**

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

\*O&R, chapter 7, p. 469-473.

\*Gourinchas, Pierre-Olivier, and Olivier Jeanne (2003) "The Elusive Gains from International Financial Integration", Working Paper 9684, National Bureau of Economic Research.

\* Jayachandran, Seema and Michael Kremer (2006) "Odious Debt", *American Economic Review* 96(1): 82-92.

Lucas, Robert Jr (1988) "On the Mechanics of Economic Development", *Journal of Monetary Economics*: 3-42.

Prasad, Eswar, Kenneth Rogoff, Shang-Jin Wei, and M. Ayhan Kose (2003) *Effects of Financial Globalization on Developing Countries: Some Empirical Evidence*, International Monetary Fund Occasional Paper 220.  
<http://www.imf.org/external/np/res/docs/2003/031703.htm>

Eichengreen, Barry, *Globalizing Capital* (Princeton University Press, 1996).

Kose, Prasad, Rogoff and Wei, 2006, "Financial Globalization: A Reappraisal", IMF Working Paper no. 06/189.

## **8. Culture and Macroeconomic Outcomes**

\*Guiso, Sapienza and Zingales, "Does culture affect economic outcomes?", *Journal of Economic Perspectives* vol 20(2), Spring 2006.

\*Tabellini, Guido, "Culture and Institutions: Economic Development in the Regions of Europe", CESifo discussion paper 1492, 2006.

\*Benabou, Roland and Jean Tirole, 2006, Belief in a Just World and Redistributive Politics, *Quarterly Journal of Economics*.