

Syllabus¹

Advanced Topics on Macroeconomics and Development

CCER, Peking University
Summer 2006

- **Instructor:** Yong Wang (Department of Economics, University of Chicago)
- **Contact Information:** wangyong@uchicago.edu
- **Goal:** This short course aims to familiarize the graduate students with several important research topics in the recent Macroeconomics and Development Economics literature and facilitate their further qualitative and quantitative explorations on these issues. The emphasis is on how to rigorously model institutional arrangement, transitions, and endogenous economic policies in the dynamic economies. A complementary summer working group will be organized, which provides opportunities for students to present and discuss some most recent working papers on the related topics, including their own. A more comprehensive bibliography will be provided for the summer working group.
- **Prerequisite Courses:** Advanced Macro, Micro, and Econometrics. Or consent by the instructor.
- **Language:** English
- **Classroom, Meeting Time, Office Hour:** TBA
- **Grading Policy:** A within-7-page research proposal related with the topics covered in this class should be emailed to the instructor by August 15th. For a theory paper proposal, it should clearly state the problem, set up the model, at least partly characterize the solution, and summarize or conjecture the results. For an empirical proposal, it should clearly introduce the underlying theory or hypothesis, describe the data, specify the main econometric strategies and provide some preliminary results.

¹It is subject to change on contingency. The course materials will be downloadable from <http://home.uchicago.edu/~wangyong>

1 Topic 0: Overview (Two Lectures)

1. Lucas, Robert, Jr. 2003, “Macroeconomic Priorities”, *American Economic Review* Vol. 93(1):1-14 (2002 AEA Presidential Address)
2. Prescott, Edward C., 2002, “Prosperity and Depression”, *American Economic Review P&P* .Vol. 92(2):1-15 (2002 Richard Ely Lecture at AEA)
3. Hansen, Lars Peter and Thomas Sargent, 2000, “Acknowledging Misspecification in Macroeconomic Theory” (Frisch lecture at the 2000 World Congress of the Econometric Society)
4. Acemoglu, Daron, Simon Johnson and James A. Robinson, 2005, “Institutions as the Fundamental Causes of Long-run Growth”, *Handbook of Economic Growth* (Philippe Aghion and Stephen Durlauf, eds., North Holland)

2 Topic 1: Time Consistency and Information Analysis of Macro Economic Policies (Three Lectures)

1. Stokey, Nancy. 2002. “Rules Versus Discretion? After Twenty-Five Years”, In M. Gertler and K. Rogoff, eds., *NBER Macroeconomics Annual 2002*, 9-45
2. Persson, Torsten, and Lars E.O. Svensson, 1989, “Why a Stubborn Conservative would Run a Deficit: Policies with Time-Inconsistent Preferences”, *Quarterly Journal of Economics*, Vol. 104(2):325-345
3. Angeletos, George-Marios, Christian Hellwig, and Alessandro Pavan, 2006, “Signaling in a Global Game: Coordination and Policy Traps”, *Journal of Political Economy*, vol. 114 (3), forthcoming

3 Topic 2: Political Economy, Endogenous Economic Policies (Three Lectures)

1. Parente, Stephen L.; Edward C. Prescott, 1999, “Monopoly Rights: A Barrier to Riches”, *American Economic Review*, Vol. 89(5): 1216-1233
2. Acemoglu, Daron; James A. Robinson, 2000, “Political Losers as a Barrier to Economic Development”, *American Economic Review P&P*, Vol. 90(2): 126-130

3. Persson, Torsten. 2002, “Do Political Institutions Shape Economic Policy?” *Econometrica* 70, 883-905
4. Persson, Torsten, Gerard Roland, Guido Tabellini, 2000, “Comparative Politics and Public Finance”, *Journal of Political Economy*. Vol. 108(6): 1121-1161

4 Topic 3: Contractual Models of Development and Institutions (Three Lectures)

1. Mookherjee, Dilip; Debraj Ray, 2002, “Contractual Structure and Wealth Accumulation”, *American Economic Review*, Vol. 92(4): 818-849
2. Townsend, Robert, 1993, “Risk and Insurance in Village India”, *Econometrica* 62: 539-591 (Frisch Prize Paper on Econometrica)
3. Kletzer, Kenneth M. and Brian D. Wright, 2000, “Sovereign Debt As Inter-temporal Barter”, *American Economic Review*, Vol. 90(3): 621-639
4. Dixit, Avinash, Gene M. Grossman, and Faruk Gul, 2000, “The Dynamics of Political Compromise”, *Journal of Political Economy*, Vol. 108(3): 531-568

5 Topic 4A: Modeling Institutions and Regime Changes (Three Lectures)

1. Acemoglu, Daron, 2005, “Modeling Inefficient Institutions”, Mimeo, MIT
2. ———, and James A. Robinson, 2005, “Unbundling Institutions”, *Journal of Political Economy*, Vol. 113(5): 949-995
3. Myerson, Roger, 1997, “Economic Analysis of Political Institutions: An Introduction”, in *Advances in Economic Theory and Econometrics*, eds. By D. Kreps and K. Wallis, Cambridge University Press
4. Angeletos, George-Marios, Christian Hellwig, and Alessandro Pavan, 2006, “Learning, Multiplicity and Timing of Attacks in a Dynamic Global Game of Regime Change”, working paper, MIT
5. Dixit, Avinash, 2003, “On Modes of Economic Governance”, *Econometrica* 71: 449-481

6 Topic 4B: Economic Transitions, Comparative Institutions, and China's Economic Reform (Three Lectures)

1. Acemoglu, Daron, and James A. Robinson, 2001, "A Theory of Political Transitions", *American Economic Review*, Vol. 91(4): 938-963
2. Roland, Gerard, 2002, "The Political Economy of Transition", *Journal of Economic Perspectives*, Vol.16 (1):29-50
3. ———, and M. Castanheira, 2000, "The Optimal Speed of Transition: A General Equilibrium Analysis", *International Economic Review*, Vol. 41(1): 219-239
4. Murphy, Kevin M.; Andrei Shleifer; and Robert W. Vishny, 1992, "The Transition to a Market Economy: Pitfalls of Partial Reform", *Quarterly Journal of Economics*, Vol.107, No.3 (August): 889-906
5. Lin, Justin Yifu, et al., 2005, "Technological Choice and Economic Performance in the Developing Economy", Mimeo, CCER, Peking University.

7 Useful Books (Not Required):

1. Lucas, Robert E. Jr., *Lectures on Economic Growth*, Cambridge MA: Harvard University Press, 2001
2. Lars Ljungqvist and Tom Sargent, *Recursive Macroeconomic Theory*, 2nd Edition, MIT Press, 2004
3. *Readings in the Theory of Economic Development*, Edited by Dilip Mookherjee and Debraj Ray, Blackwell Publishers Ltd., 2001
4. Persson, Torsten, and Guido Tabellini, *Political Economics: Explaining Economic Policy*, Cambridge MA: MIT Press, 2000
5. Grossman, Gene and Elhanan Helpman, *Special Interest Politics*, Cambridge MA: MIT Press, 2000
6. Lin, Justin Yifu, et al., *China's Miracle: Development Strategy and Economic Reform*. 2nd version, Shanghai People's Publishing House and Shanghai Sanlian Sudian, 1999
7. Dixit, Avinash, *The Making of Economic Policies*, Cambridge MA: MIT Press, 1998

8. Roland, Gerard, Transition and Economics: Politics, Markets and Firms, Cambridge MA: The MIT Press, 2000
9. Parente ,S.L. and Edward Prescott, Barrier to Riches, Cambridge MA: MIT Press, 2000