Topics in Macroeconomics: Multiple Equilibria, Sunspots and Macrodynamics

G31.3001-05, Professor Jess Benhabib, W, 12:30-2:30, Spring 2001

We’ll try to cover, time permitting, I. Indeterminacy and Sunspots in Macroeconomics and Growth, II. Applications of Dynamic Games in Macroeconomics (see sub-categories for II below), and III. (if there is more time) I’d like to do a couple of lectures OLG and applications, especially continuous time OLG for which the standard Ramsey model becomes a special case and which has not, I think, been fully exploited. The articles below, some of which I will cover in class, and to which we may add, should provide a background.

1 Indeterminacy and Sunspots in Macroeconomics and Growth


2 Applications of Dynamic Games in Macroeconomics

Growth


Optimal Taxation

Judd, K. (1985). “Redistributive Taxation in a Simple Perfect Foresight Model,” J o u r n a l o f P u b l i c E c o n o m i c s, 28, 59-83.


Benhabib, J, and Rustichini, A. (1997), “Optimal Taxes Without Commitment,” with A. Rustichini, J o u r n a l o f E c o n o m i c T h e o r y, 77231-259.

Barro, R. J.; (1990). Government Spending in a Simple Model of Endogenous Growth. J o u r n a l o f P o l i t i c a l E c o n o m y, 98, 5, part 2, S103-S125.


Benhabib, J, and Velasco, A. “On the Optimal and Best Sustainable Taxes in an Open Economy,” E u r o p e a n E c o n o m i c R e v i e w, 40,(1996), 135-154.

Self Control


Kochlateroka, N., “Reconsideration-Proofness: A refinement for Infinite Horizon Time Inconsistency,” G a m e s a n d E c o n o m i c B e h a v i o r 15, 1996, 33-45.

3 OLG (Continuous Time)

Peter A. Diamond, “National Debt in a Neoclassical Growth Model,” T h e A m e r i c a n E c o n o m i c R e v i e w, Vol. 55, No. 5. (Dec., 1965), pp. 1126-1150.

David Gale “Pure Exchange Equilibrium of Dynamic Economic Models,” J o u r n a l o f E c o n o m i c T h e o r y, 6(1), Feb. 1973, pages 12-36.

M. E. Yaari, ”Uncertain Lifetime, Life Insurance, and the Theory of the Consumer,” R e v i e w o f E c o n o m i c S t u d i e s, Vol. 32, No. 2. (Apr., 1965), pp. 137-150.

Blanchard, Olivier-J.,Debt, “Deficits, and Finite Horizons.” J o u r n a l o f P o l i t i c a l E c o n o m y, 93(2), April 1985, pages 223-47.