Reading List in Macroeconomics and Monetary Economics

Integral

July 19, 2014

Contents

0 Introduction 2

1 The Main Reading List 4

1.1 Macroeconomics from Hume to Wicksell .......................................................... 4
1.2 Fisher, Pigou, Keynes .................................................................................. 4
1.3 The Neoclassical Synthesis ........................................................................... 5
1.4 Friedman and Monetarism ............................................................................ 6
1.5 Lucas and New Classical Monetary Economics ............................................ 6
1.6 The Real Business Cycle Theory ................................................................. 7
1.7 New Keynesian Economics ........................................................................... 8
1.8 Structural Vector Autoregressions ............................................................... 9
1.9 Odds and Ends ............................................................................................ 11

2 Topics 12

2.1 A First Course in Economic Growth .......................................................... 12
2.2 A First Course in Business Cycles ............................................................... 13
2.3 Solving DSGE Models ................................................................................. 14
2.4 Stylized Facts ............................................................................................ 15
2.5 The Consumption Function ....................................................................... 16
2.6 Macro-Labor ............................................................................................. 17
2.7 Macro-Finance .......................................................................................... 18
2.8 Money and Inflation .................................................................................. 19
2.9 Beyond Full-Information Rational Expectations ....................................... 20
2.10 The Liquidity Trap ................................................................................... 21
2.11 Monetary Regimes and Monetary History ............................................... 22
2.12 Fiscal-Monetary Interactions .................................................................. 24
2.13 Model Estimation and Advanced Macroeconometrics ............................. 25

3 People, Conferences, and Light Reading 26

3.1 Names to Keep an Eye On ......................................................................... 26
3.2 Selection of Macro Conferences and Working Paper Series ...................... 29
3.3 Every Macro Nobel Speech ....................................................................... 30
3.4 Every JEP Symposium in Macro ................................................................ 31

4 Textbooks 33

4.1 Useful Undergraduate Texts ....................................................................... 33
4.2 Introductory Graduate Texts ....................................................................... 33
4.3 Core Graduate Texts .................................................................................. 33
4.4 Monetary Economics .................................................................................. 33
4.5 Economic Growth ...................................................................................... 34
4.6 Time-Series Econometrics ........................................................................ 34
4.7 Advanced Macroeconometrics ................................................................... 34
4.8 Topics ......................................................................................................... 34
4.9 Further Reading / Collections of Papers .................................................... 35
0 Introduction

Note to the Reader

This document lists a few hundred books and articles in monetary economics and macroeconomics. Despite its length, I’ve left out far more than I’ve kept in; I mean no disrespect to the authors whose papers I have omitted. Suggestions and additions welcome. The list gets more and more detailed as we approach the research frontier.

Abbreviations

1. General interest journals:
   (a) AER = American Economic Review, AER PP = AER Papers and Proceedings
   (b) JPE = Journal of Political Economy
   (c) QJE = Quarterly Journal of Economics
   (d) ECMA = Econometrica
   (e) RES = Review of Economic Studies
   (f) REStat = Review of Economics and Statistics
   (g) EJ = Economic Journal
   (h) IER = International Economic Review
   (i) EER = European Economic Review
   (j) JEEA = Journal of the European Economic Association
   (k) JET = Journal of Economic Theory
   (l) JEL = Journal of Economic Literature
   (m) JEP = Journal of Economic Perspectives

2. Macro journals:
   (a) JME = Journal of Monetary Economics
   (b) CR = Carnegie-Rochester Conference Series on Public Policy
   (c) AEJM = American Economic Journal: Macroeconomics
   (d) JMCB = Journal of Money, Credit and Banking
   (e) RED = Review of Economic Dynamics
   (f) JEDC = Journal of Economic Dynamics and Control
   (g) MD = Macroeconomic Dynamics
   (h) BPEA = Brookings Papers on Economic Activity
   (i) MA = the National Bureau of Economic Research’s Macro Annual
   (j) J Macro = Journal of Macroeconomics
   (k) JBF = Journal of Banking and Finance
Integral, This List is Cool but I Don’t Want to Read 500 Papers

Okay, this thing is probably a bit too exhausting and it’s important not to miss the forest for the trees. Here is a much shorter list for those who want the highlights. It is a mix of readable papers and technical papers. Stars indicate papers that require more mathematical background.

For those looking at graduate school, the “first course in…” lists should prove useful. Remaining readings are broken down by topic and time frame so you can hit the specific thread that interest you.

1. Friedman, “The Role of Monetary Policy,” AER 1968. We’re still separating the wheat from the chaff in this paper, forty-five years later.

2. Lucas, “Understanding Business Cycles,” CR 1977. This paper is entirely literary and sets out many of the stylized facts in clear English.

3. Lucas, “Methods and Problems in Business Cycle Theory,” JMCB 1980. This paper is quite literary and sets out Lucas’ vision of “what macroeconomics ought to be about.”

4. Sims, “Macroeconomics and Reality,” ECMA 1981. This paper introduces the SVAR framework and is about 50% math, 50% talk. You can pick up many of the main substantive points even without the math.

5. Cochrane, “Shocks,” CR 1994. What are the shocks that drive economic fluctuations? The paper is about 70% chat and 30% math. You can probably follow the chat even if you skip the math.


7. *Clarida, Gali, and Gertler, “The Science of Monetary Policy,” JEL 1999. This paper introduces the New Keynesian model and investigates some aspects of the Great Moderation. I think it’s the first paper to write down the 3-equation New Keynesian model in the form that we know it today; if someone can find an earlier paper, let me know.

8. Woodford, “Revolution and Evolution in Twentieth-Century Macroeconomics,” 1999. This is one of the best short papers on the history of macroeconomic thought. It usefully distinguishes the Monetarists from the New Classical from the RBC guys.


10. *Kilian, “Structural Vector Autoregressions,” lecture notes dated 2011. This paper is sort of like KR or CGG in that it sets out the basics of SVAR models. The math isn’t even that bad if you go through it slowly.

I Hate Math But Want to Understand Macro Anyway

Here are three papers.


1 The Main Reading List

1.1 Macroeconomics from Hume to Wicksell

Early macroeconomic theory was essentially monetary and international, dealing with the determination of the price level, the gold standard, the balance of payments, and gold flows among nations. Starting in the early nineteenth century, banking and financial concerns became prominent. The period closes with Bagehot’s theory of central banking and Wicksell’s theory of the natural rate of interest as a key variable over the business cycle.

1. Hume, Of Money, 1752. Monetary theory proper starts with Hume. Herein you will find the statement of the Quantity Theory and an early, but sophisticated, version of the Phillips Curve.

2. Hume, Of Interest, 1752.

3. Hume, Of the Balance of Trade, 1752.

4. Hume, Of the Jealousy of Trade, 1752.

5. Cantillon, Essay on the Nature of Trade in General, 1755. Key innovations include the circular flow diagram and a theory of the velocity of money, which Hume neglects. Cantillon’s Essay may be the first macroeconomics book ever written.

6. Smith, The Wealth of Nations, 1776. Typically considered the first great treatise in economics, the Wealth of Nations commits a few sections to the discussion of money and prices.


8. Bagehot, Lombard Street: A Description of the Money Market, 1873. This is the origin of modern central banking and is the first book to emphasize the lender-of-last-resort function of the central bank.

9. Wicksell, Interest and Prices, 1898. This is a classic, but the Lectures in Political Economy are clearer.

10. Wicksell, Lectures in Political Economy, 1908. See especially volume 2 for a lucid discussion of the “natural rate of interest.”

1.2 Fisher, Pigou, Keynes

Fisher and Keynes developed two distinct paradigms for modelling dynamic macroeconomic phenomena. The Fisherian approach is to study, simultaneously and explicitly, the entire time horizon that is relevant for the question at hand. The Keynesian approach is to concentrate on the present and take present expectations of future events as exogenous. Keynes’s approach won the day for about forty years, while macroeconomics since Lucas has been dominated by the Fisherian approach.


5. Keynes, Tract for Monetary Reform, 1923.


1.3 The Neoclassical Synthesis

We spent thirty years trying to unpack Keynes’ General Theory. Macroeconomic research progressed along four main lines: the consumption function, the investment function, the money demand function, and price-setting behavior.

1.3.1 Developing Keynesian theory

1. Hicks, “Mr Keynes and the Classics,” ECMA 1937.

1.3.2 The consumption function: Life-Cycle and Permanent-Income Hypotheses


1.3.3 The investment function: Q-Theory and adjustment costs


1.3.4 The demand for money: liquidity-preference and cash-in-advance


1.3.5 Price-Setting, The Phillips Curve, and Macro-Econometric Models

1.4 Friedman and Monetarism

Friedman’s historical work is of prime importance here.

1. Friedman, *Essays in Positive Economics*, 1953. This volume contains five essays on monetary economics, including a paper on commodity standards and a second on exchange-rate policy.


3. Friedman, “The Role of Monetary Policy,” 1968. This is his Presidential Address to the AEA.


1.5 Lucas and New Classical Monetary Economics

Rational expectations and monetary surprises dominate these readings. Friedman ’68 plus Lucas ’72 plus Lucas ’76 form the intellectual foundation upon which we built pretty much all of macro from 1980 to the present.


7. Lucas, “Understanding Business Cycles,” JPE 1977. This is a useful review piece.


12. Sargent, “A Primer on Monetary and Fiscal Policy,” JBF 1999. I disagree with most of the claims here, but it’s a good paper to read anyway.

Many of Lucas’ papers are bundled in the 1981 volume *Studies in Business Cycle Theory*. After Lucas, the profession basically split off into three directions: real business cycle theory, new Keynesian theory, and vector autoregression analysis.
1.6 The Real Business Cycle Theory

This is the first research program to emerge from the Lucas critique of the 1970s. It forged ahead with perfect competition, rational expectations and microeconomic foundations. Since monetary shocks cannot explain business cycles in that setup, RBC researchers proposed a different source of fluctuations: productivity shocks.

1.6.1 The Theory


1.6.2 Criticism

1.7 New Keynesian Economics

The New Keynesian research program is the second group to form out of the Lucas critique of the 1970s. It merged microeconomic foundations with sticky prices. Sticky prices almost immediately imply a role for countercyclical monetary policy.

1.7.1 The Theory


1.7.2 Criticism

1.8 Structural Vector Autoregressions

This is the third research program that came out of the Lucas critique of the 1970s. It relies as little on theory as possible and attempts to let the data “speak for itself” with a minimal set of restrictions. The framework is quite useful in studying the empirical response to macro shocks: TFP, government spending, money, news, energy, ... 

1.8.1 The Theory and General Issues


1.8.2 TFP (Technology) Shocks


1.8.3 Monetary Shocks


1.8.4 Government Spending Shocks

1.8.5 News Shocks

1.8.6 Energy Shocks

1.8.7 Investment-Specific Technology Shocks

1.8.8 Criticism
1.9 Odds and Ends

These are additional “classic papers” that you should be aware of that don’t really fit in the main storyline, but nevertheless are part of the professional conciousness.

2 Topics

2.1 A First Course in Economic Growth

This list covers the Solow model, the neoclassical (Ramsey-Cass-Koopmans) model, the overlapping generations (Samuelson-Diamond) model, expanding variety models, quality ladders, and adds a few empirical papers for flavor. Please supplement with Barro’s growth book as needed; see the book list below.

2.2 A First Course in Business Cycles

This is enough for a simple, ten-week overview of the field: it sets out the basic issues in a bevy of background articles, hits key points in the RBC/NK/SVAR literatures, and includes a few empirical papers for flavor.

2.3 Solving DSGE Models

A dynamic, stochastic general equilibrium model typically takes the form of a set of nonlinear first- or second-order difference equations. These can be cumbersome to solve even when linear, and are usually impossible to solve by hand in their full nonlinear form. Thus we must turn to computational tools. The dominant strategy up to the mid-2000s has been to take a linear approximation to the model around its steady-state and apply well-known tools for solving linear expectational difference equations, typically using Uhlig’s toolkit via Matlab. Solution times are very fast for linearized models.

Recently, macroeconomists have worked on phenomena (zero bounds, debt-default, borrowing constraints) which are inherently nonlinear and demand solutions beyond the first-order approximation. Two methods forward have been taken: one analyzes second-, third-, and higher-order local solutions around the steady state; the other analyzes globally approximate solutions. Typically these methods computationally appeal to FORTRAN and its fast nonlinear equation solvers. Solutions take non-negligible time if you go beyond about three or four state variables.

2.3.1 First-Order Linear Solutions


2.3.2 Higher-Order, Global, and Regime-Switching Models

2.4 Stylized Facts

2.4.1 General

What is a business cycle? Are all cycles alike? Has the business cycle changed over time?


2.4.2 Wage and Price Stickiness

In a classical model, wages and prices adjust quickly to clear markets. Do prices adjust quickly in response to economic shocks? What about wages?

2.5 The Consumption Function

The Permanent Income Hypothesis and tests of the hypothesis:


Consumption and asset pricing:

2.6 Macro-Labor

This is just a brief overview for a first course.

2. Lucas, Models of Business Cycles, chapter V.
2.7 Macro-Finance

Again, this is the briefest of overviews. I start with the Modigliani-Miller financial irrelevance theorem, then jump to Williamson’s costly-state-verification model, and then present the three core models: Carlstrom-Fuerst, Kiyotaki-Moore, and BGG. More recently, Gertler and coauthors have revisited the financial frictions model and applied it to quantitative easing.

2.8 Money and Inflation

There’s a lot of overlap with the New Keynesian reading list. Okay, so we know that money doesn’t matter in an Arrow-Debreu, Walrasian model. It certainly doesn’t hold for Robinson Crusoe economies (who’s he gonna trade with?). There are two basic shortcuts for inserting money into the model: cash-in-advance (Chicago-style) and money-in-utility (saltwater style). The two approaches are basically isomorphic and are exactly isomorphic under some constellations of utility functions and parameter values. Once you’ve made money matter, you can then insert price stickiness and do policy analysis.

There is another research program which attempts to model the deep microfoundations of money, in particular the medium-of-exchange role of money. This is the “New Monetarist” line of research; I include three recent reviews; names in this literature are Lagos, Wright, and Williamson.

3. Lucas, Models of Business Cycles, chapter VI, VII.
2.9 Beyond Full-Information Rational Expectations

Rational expectations, the data, and emerging alternatives.

2.10 The Liquidity Trap

2.11 Monetary Regimes and Monetary History

From the Depression to the Recession. Those interested in the Greenback period can read Friedman and Schwartz. I am unfortunately leaving out many international issues; Europe is a gaping hole in this list. In this section, JEH is the Journal of Economic History.

2.11.1 Core Readings in the Great Depression


2.11.2 More readings: The Gold Standard and the Great Depression

13. Romer and Eichengreen, Syllabus for “Economic History.” [http://eml.berkeley.edu/~cromer/e210a_f01/syllabus.pdf](http://eml.berkeley.edu/~cromer/e210a_f01/syllabus.pdf)
14. Romer and Romer, Syllabus for “Macro History,” [http://eml.berkeley.edu/~cromer/courses/e210c_f13/e210c.shtml](http://eml.berkeley.edu/~cromer/courses/e210c_f13/e210c.shtml)
2.11.3 The Postwar Boom and the Great Inflation

2.11.4 The Great Moderation

2.11.5 The Great Recession in the US and EU
See also the list on the liquidity trap.

2.11.6 Odds and Ends / History / History of Thought
2.12 Fiscal-Monetary Interactions

13. Cochrane, “Determinacy and Identification with Taylor Rules,” JPE 2011. I know it’s buried deep in the reading list, but consider this starred reading once you’ve digested the New Keynesian literature.
2.13 Model Estimation and Advanced Macroeconometrics

3 People, Conferences, and Light Reading

3.1 Names to Keep an Eye On

3.1.1 PhD’s since 1990

These are all tenured faculty at top-20 or so schools who received their PhD’s in 1990 or after. They are the core researchers of our field. One cannot claim to understand the frontier of macroeconomics without knowing their collective work well. I list each individual’s current affiliation. Credit to Narayana Kocherlakota for inspiring this list. Feel free to suggest additional names!

1. Daron Acemoglu, MIT. Growth, institutions, productivity, political economy.
2. George-Marios Angeletos, MIT. Financial markets, imperfect information, sunspots.
3. Ivan Werning, MIT. Optimal policy, New Keynesian models, monetary and fiscal policy.
15. Eduardo Engel, Yale. Investment, capital adjustment costs, Latin American economics.
19. Aleh Tsyvinski, Yale. Institutions and political economy.
30. Fabrizio Perri, Minnesota. Financial markets, international macro, inequality.
32. Jose-Vctor Rios-Rull, Minnesota. DSGE modelling issues, optimal policy, heterogenous agents.
33. Ricardo Lagos, NYU. Money search models.
34. John Leahy, NYU. Aggregate supply, price stickiness, investment.
35. Sydney Ludvigson, NYU. Model estimation, shocks, consumption.
38. Lutz Kilian, Michigan. SVAR models, energy shocks.
41. Ariel Burstein, UCLA. International trade and macro.
42. Christian Hellwig, UCLA. Asset pricing, heterogeneous agents, imperfect information.
43. Lee Ohanian, UCLA. Real business cycles.
45. Noah Williams, Wisconsin. Optimal monetary policy, imperfect information, learning.

Additional names appreciated. I’m missing virtually everyone in the Federal Reserve system, for one.

3.1.2 PhD’s since 2004

Here are a few more scholars who received their PhD’s in the past ten years (2004 or after). They are carving out the future research paths of the field. Again, I regret any omissions – feel free to suggest additional names!


Additional names appreciated. I’m repeating myself, but I cannot stress it enough!
3.1.3 Some Promising Directions

1. When the Real Business Cycle revolution took hold in the 1980s, it brought an empirical methodology of \textit{calibration}: choosing the parameters of our models by appealing to long-run facts, steady-state relationships, and micro-evidence. With the rise of computational power and the adoption of Bayesian econometrics, modern models can be \textit{estimated} via maximum likelihood or Bayesian methods. An important, highly technical research program investigates the identification and estimation of medium-scale macro models.

2. Bayesian methods are also shedding new light on the problem of estimating and forecasting macro unobservables, most importantly the natural rate of interest and the output gap.

3. Rational expectations has been a major point of contention since its introduction to macroeconomics in 1972. Departures from FIRE (full-information, rational expectations) investigate the role of dispersed information, parameter uncertainty, learning, and policymaking in uncertain environments.


5. Again with reference to the recession: research on fiscal policy was quite dormant during the Great Moderation, reflecting the profession's intense focus on the design and implementation of monetary policy. With the onset of the Great Recession, research on the effects of fiscal expansion has again taken a central role in the literature.

6. The Great Recession has also spurred research on three interrelated problems in monetary policy: the zero lower bound on interest rates, the efficacy of forward guidance, and the impact of large-scale asset purchases. The ZLB and forward guidance are largely being tackled by traditional macro researchers wielding dynamic general equilibrium models while the effects of QE are being mostly analyzed by financial economists who investigate the effects of QE on the yield curve. Macrofinance researchers (Gertler, Kiyotaki, Karadi) are integrating quantitative easing into DSGE models, but it is rough slogging.

7. Empirical work has delved more deeply into microdata, and modern research on investment, credit, consumption, price-setting, and interest rates often draws from rich cross-section and panel datasets, on new sources of real-time data, and on high-frequency data from financial markets.

8. Turning to Europe, fiscal and monetary policy in currency unions has become an important research topic. Similarly, sovereign debt crises are again at the top of the agenda.
3.2 Selection of Macro Conferences and Working Paper Series

1. NBER conference page: http://nber.org/~confer
3. NBER, Monetary Economics: http://www.nber.org/programs/me/me.html
7. CEPR working papers: http://www.cepr.org/content/discussion-papers
8. Federal Reserve Working Papers
   (a) FRB, Finance: http://www.federalreserve.gov/pubs/feds/2013/index.html
   (b) FRB, Intl Econ: http://www.federalreserve.gov/pubs/ifdp/2013/default.htm
   (c) Chicago: http://www.chicagofed.org/webpages/research/papers/
   (d) New York: http://www.newyorkfed.org/research/staff_reports/
   (e) Richmond: http://www.richmondfed.org/publications/research/working_papers/
   (f) Boston: http://www.bostonfed.org/economic/wp/
   (g) Dallas: http://www.dallasfed.org/research/papers/
   (h) Minneapolis: http://www.minneapolisfed.org/publications_papers/wp/
   (i) San Francisco: http://www.frbsf.org/economic-research/publications/working-papers/
   (j) Kansas City: http://www.kansascityfed.org/publications/research/erp/
   (k) St. Louis: http://research.stlouisfed.org/wp/
   (l) Atlanta: http://www.frbatlanta.org/pubs/wp/
   (m) Cleveland: http://www.clevelandfed.org/research/research_publication.cfm?id=35
9. European central banks
   (a) Bank of England WP: http://www.bankofengland.co.uk/RESEARCH/Pages/workingpapers/default.aspx
   (c) Bundesbank WP: http://www.bundesbank.de/Navigation/EN/Publications/Discussion_papers/discussion_papers.html
   (d) Norgesbank WP: http://www.norges-bank.no/en/Published/Papers/Working-Papers/
   (e) Sveriges Riksbank WP: http://ideas.repec.org/s/hhs/rbnkwp.html
10. NBER Summer Institute
11. Midwest Macro meetings
12. SED meetings
13. Spend a few days just browsing:
   (a) Chris Sims’ website: http://www.princeton.edu/~sims/
   (b) Lars Svensson’s website: http://larseosvensson.se/
3.3 Every Macro Nobel Speech

These are basically all of the macro Nobel speeches, along with a few in macro-econometrics. Most, if not all, are published one year later in leading journals, such as the QJE, JPE, and AER.

3.4 Every JEP Symposium in Macro

1. Summer 1988: Lessons from the 1980s
2. Autumn 1988: The TFP Slowdown
4. Summer 1989: RBC Symposium
5. Spring 1990: Bubbles
8. Winter 1992: Trade Liberalization and Development
10. Spring 1993: The Great Depression
13. Summer 1995: Consumption Smoothing in Developing Countries
15. Winter 1996: Calibration
16. Spring 1996: Transition from Socialism
17. Summer 1996: The CEA
19. Autumn 1996: Government incentives for saving
20. Winter 1997: The NAIRU
22. Spring 1997: Inflation targeting article
23. Summer 1997: The world income distribution
24. Summer 1997: European unemployment
25. Autumn 1997: The EMU; Fiscal Federalism; Austrian Economics
27. Winter 1998: Measuring Poverty
28. Spring 1998: article on macro forecasting; article on real wages
29. Summer 1998: Sulphur Dioxide Trading Markets
30. Summer 1998: Deregulation
32. Spring 1999: Business Cycles
33. Summer 1999: Africa
34. Summer 1999: The PhD Job Market in Economics
35. Autumn 1999: Global Financial Instability; many good articles
36. Winter 2000: Long-run trends (three good symposia)
37. Spring 2000: Medicare; great article on intermediate macro by Romer
38. Summer 2000: Fiscal Policy
40. Winter 2001: NAFTA
41. Summer 2001: Consumption
42. Autumn 2001: Econometrics (entire issue; worth perusing)
43. Spring 2001: Evolutionary Economics
44. Summer 2002: Dynamic Income Inequality
45. Autumn 2002: NAIRU article
46. Winter 2003: The CPI
47. Winter 2003: Financial Market Efficiency
48. Summer 2003: Global Income Distribution; good article on NIT
49. Autumn 2003: International Finance; Svensson’s “Foolproof Way” article
50. Spring 2004: Futures Markets
51. Summer 2004: CAPM; good articles throughout
52. Autumn 2004: The EU; oil paper; labor elasticity paper
53. Winter 2005: Economics and Sociology
54. Winter 2005: Russia
55. Spring 2005: Social Security reform
56. Autumn 2005: Housing Markets; Friedman article
57. Winter 2006: Poverty; article on Roman econ
58. Summer 2006: Labor markets
59. Autumn 2006: Modern Macroeconomics
60. Autumn 2006: The EU
61. Winter 2007: Tax Policy in International Perspective
62. Spring 2007: Behavioral Finance
63. Summer 2007: Savings
64. Autumn 2007: Monetary Policy
65. Winter 2008: TFP
66. Spring 2008: Development
67. Summer 2008: article on uncertainty in macro modelling
68. Autumn 2008: Health care; article on OLG
69. Winter 2009: The Credit Crunch
70. Spring 2009: Climate change
71. Autumn 2009: Mankiw optimal tax article
72. Winter 2010: financial crisis
73. Spring 2010: Econometrics and identification
74. Autumn 2010: Macro after the crisis
75. Winter 2011: financial crisis and regulation
76. Spring 2011: Migration
77. Autumn 2011: Saez optimal tax article
78. Winter 2012: Energy
79. Summer 2012: labor markets; government debt; article on deleveraging in US and JPY
80. Autumn 2012: China
81. Winter 2013: Pollution trading markets
82. Spring 2013: the size of the financial sector
83. Summer 2013: the income distribution, top end
84. Summer 2013: The EU and the Euro
4 Textbooks

4.1 Useful Undergraduate Texts

Williamson is the most useful intermediate theory book. McCandless with Wallace is worth reading carefully; do the exercises. Similarly, it is useful to sink a month or two worth of effort into Champ’s book. I haven’t read The ABC’s but some of my colleagues found it a useful transition book. Mishkin is the standard undergraduate field text in money and banking.


4.2 Introductory Graduate Texts

Sargent’s two books are older and could probably be skipped, but are included for completeness’ sake. Blanchard-Fischer is a classic saltwater textbook. Romer is an advanced undergraduate text; nevertheless you should read it carefully. Adda and Cooper is a good introduction to dynamic macroeconomics. Wickens is a nice complement to the others and has a lovely introduction. I’ve not read Farmer or Azariadis but some find them useful.


4.3 Core Graduate Texts

SLP is the “Old Testament” and SL is the “New Testament” of recursive methods. Cooley is a collection of interesting papers and is the first RBC textbook. The solution methods mentioned in Cooley are now depreciated; the topics covered are not.


4.4 Monetary Economics

You should own all three of these. Woodford, chapters 1-5 are about as mandatory as you can get. Walsh has a broad coverage of topics. Gali is laser-focused on the basic model and is excellent as a reference.

4.5 Economic Growth

Acemoglu is large and comprehensive. Barro teaches you the main points. Aghion and Howitt have two books on topics in growth and international trade.


4.6 Time-Series Econometrics

Hayashi is the most macro-focused of the first-year econometrics textbooks. Greene is a reference. Hamilton is the Bible of time-series, while Lutkepohl will teach you VARs. Enders is a nice supplement for light reading.


4.7 Advanced Macroeconometrics

You need to own both of these.


4.8 Topics

4.9 Further Reading / Collections of Papers

1. Friedman, *Essays in Positive Economics*, 1953. This volume collects Friedman’s most important work from 1945 to the early 1950s.

2. Friedman, *A Monetary History of the United States*, 1962. This is the monumental empirical-historical work of American economic history.

   - Phelps, “Money Wage Dynamics and Labor Market Equilibrium.”
   - Archibald, “The Structure of Excess Demand for Labor.”
   - Holt, “How Can the Phillips Curve be Moved to Reduce both Inflation and Unemployment?”
   - Taubman and Wilkinson, “User Cost, Output, and Unexpected Price Changes.”


7. Lucas, *Models of Business Cycles*, 1987. This is Lucas’ Yrjo Jahnsson lecture and serves as an introductory graduate macro course. Many of the issues he discussed in 1987 remain important and open research questions in 2014.


9. Cooley, *Frontiers of Business Cycle Research*, 1995. This is a collection of original papers in real business cycle theory and serves as a *de facto* textbook on the RBC methodology and research agenda as of the mid-1990s.
