

Course Outline
The Theory of Income and Employment II (Spring 2008)

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This course offers an overview of *classical* macroeconomics. My aim is to review the modern theory of income and to equip students with basic working knowledge leading to more advanced studies. Since we have only eight weeks to cover the subject, my lectures will be very selective. We will not discuss theories that are Keynesian in nature. The theory of money and growth will also be abstracted from and missing in my lectures. The course contains mostly my personal notes organized along the following lines:

1. Stylized facts of business cycles in Taiwan.
2. Intertemporal choice of consumption and labor supply.
3. Investment decisions.
4. Market equilibrium and empirical implications.

Useful References (main text: Williamson):

Barro, R. E.: *Macroeconomics* [Chapter 2, 3, 5, 6, 9]. 2000.

Deaton, A.: *Understanding Consumption* [Chapter 1, 2, 3, 4]. 1992.

Romer, D.: *Advanced Macroeconomics* [Chapter 3, 7]. 2000.

Williamson, S.: *Macroeconomics* [Chapter 1 to 9]. 2002.

Tentative Readings (subject to change as time proceeds):

Christiano, L. J., and M. Eichenbaum, "Current Real Business Cycle Theories and Aggregate Labor Market Fluctuations," *American Economic Review*, 1992.

Hall, R. E. "Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence," *Journal of Political Economy*, 86, 1978.

Hall, R. E. "Intertemporal Substitution in Consumption," *Journal of Political Economy*, 96, 1989.

Hansen, L. P., and K. J. Singleton. "Stochastic Consumption, Risk Aversion, and the Temporal Behavior of Asset Returns," *Journal of Political*

Economy, 91, 1983.

King, R. G., C. Plosser, and S. Rebelo, "Production, Growth and Business Cycles I. The Basic Neoclassical Model," *Journal of Monetary Economics*, 21, 1988.

Long, J. B., and C. I. Plosser, "Real Business Cycles," *Journal of Political Economy*, 1, 1983.

Lucas, R. E., Jr. "Asset Prices in an Exchange Economy," *Econometrica*, 46, 1978.

Prescott, E. C., "Theory Ahead of Business Cycle Measurement," *Quarterly Review*, 10, Federal Reserve Bank of Minneapolis, 1986.