

10/19/2015

Economics 6130-2: Macroeconomics I, Part 2
Cornell University, Fall 2015 2nd Half

Instructor:

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Office Hours:

Tuesday 1:30-2:30pm, Thursday 2:00-3:00pm, and by appointment.

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TA Office Hours:

Tuesday 10:30am-12:00pm

Lectures:

Mondays & Wednesdays, 8:40-9:55AM
202 Uris Hall

Section:

Fridays, 8:40-9:55AM
112 Rockefeller Hall

Readings:

Available at karlshell.com/current/

Homework:

Accessible through karlshell.com/current/ or the [6130 course website](#)

Evaluation:

Homework (25%), participation (25%), and final exam (50%)
Final exam: Friday, December 11th, 9AM. Room TBD.

I Money & Securities

1. K. J. Arrow, “[The Role of Securities in the Optimal Allocation of Risk-Bearing](#),” Review of Economic Studies, April 1964, 91-96.
2. Yves Balasko and Karl Shell, “[Lump-Sum Taxation: The Static Economy](#),” in General Equilibrium, Growth, and Trade: The Legacy of Lionel McKenzie, II. (R. Becker, M. Boldrin R. Jones and W. Thomson, eds.) New York: Academic Press, 1993, 168-180.
3. Website section on [Taxes Denominated in Money](#).

II Overlapping Generations (OG or OLG)

Overview

1. Karl Shell and Bruce Smith, “[Overlapping-Generations Model and Monetary Economics](#),” in the New Palgrave Dictionary of Money and Finance (J. Eatwell, M. Milgate, and P. Newman, eds.), Vol. 3, London: Macmillan, 1992, 104-109.
2. Website section on [Overlapping Generations](#).

Basics

1. Paul A. Samuelson, “[An Exact Consumption-Loan Model of Interest with or without the Social Contrivance of Money](#),” Journal of Political Economy, December 1958, 467-482.
2. Peter A. Diamond, “[National Debt in a Neoclassical Growth Model](#),” American Economic Review, Vol. 55(5), December 1965, 1126-1150.
3. Karl Shell, “[Notes on the Economics of Infinity](#),” Journal of Political Economy, Vol. 79(5), September/October 1971, 1002-1011. (Appears in Spanish as “Notas sobre las economías del infinito” (translation by M. Santos), Cuadernos Economicos de I.C.E., Vol. 35(1), 1987, 31-39.)
4. David Cass, Masahiro Okuno and Itzhak Zilcha, “[The Role of Money in Supporting the Pareto Optimality of Competitive Equilibrium in Consumption-Loan Type Models](#),” Journal of Economic Theory, Vol. 20(1), February 1979, 41-80.

Optional Reading

1. Yves Balasko and Karl Shell, “[The Overlapping-Generations Model, I: The Case of Pure Exchange without Money](#),” Journal of Economic Theory, Vol. 23(3), December 1980, 281-306.

2. Yves Balasko and Karl Shell, "[The Overlapping-Generations Model, II: The Case of Pure Exchange with Money](#)," Journal of Economic Theory, Vol. 24(1), February 1981, 112-142. See also "Erratum," Journal of Economic Theory, Vol. 25(3), December 1981, 471.
3. Costas Azariadis, "[Self-Fulfilling Prophecies](#)," Journal of Economic Theory, Vol. 25(3), December 1981, 380-396.

III Bank Runs

Overview

1. Website section on [Financial Fragility](#).
2. Ennis, Huberto and Keister, Todd. "[On the Fundamental Reasons for Bank Fragility](#)," Economic Quarterly, Federal Reserve Bank of Richmond (2010), 96 (1), 33-58.

Diamond-Dybvig Model

1. Diamond, Douglas W., and Dybvig, Philip H. "[Bank Runs, Deposit Insurance, and Liquidity](#)," Journal of Political Economy 91 (June 1983): 401-19.
2. Wallace, Neil. "[Another Attempt to Explain an Illiquid Banking System: The Diamond and Dybvig Model with Sequential Service Taken Seriously](#)." Fed. Reserve Bank Minneapolis Q. Rev. 12 (Fall 1988): 3-16.

The Pre-Deposit Game

1. Peck, James, and Shell, Karl. "[Equilibrium Bank Runs](#)," Journal of Political Economy, Vol. 111, No. 1, February 2003, 103-123.
2. Shell, Karl and Zhang, Yu. "[How Optimal Banking Contracts Tolerate Runs](#)." August 27, 2015.