

10/17/2016

**Economics 6130-2: Macroeconomics I, Part 2
Cornell University, Fall 2016 2nd Half**

Instructor:

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Proposed Office Hours:

Monday 4:20-5:20pm and Wednesday 10:00-11:45am, and by appointment.

Teaching Assistant:

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TA Office Hours:

Monday 1:15-2:15pm, Thursday 10:30-11:30am

Lectures:

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

Section:

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

Readings:

Available at karlshell.com, under Courses>Current>6130-2 Fall 2016

Evaluation:

Homework (25%), participation (25%), and final exam (50%)
Final exam: Tuesday, December 13th, 2PM, 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](#),"
5. Journal of Economic Theory, Vol. 20(1), February 1979, 41-80. 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.
6. 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.

7. Costas Azariadis, "[Self-Fulfilling Prophecies](#)," Journal of Economic Theory, Vol. 25(3), December 1981, 380-396.

III Bank Runs (if and only if time permits):

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. Peck, James, and Shell, Karl. "[Could Making Banks Hold Only Liquid Assets Induce Bank Runs?](#)," Journal of Monetary Economics, Vol. 7:4, May 2010.