Syllabus

Organization and Overview

This course provides an introduction to modern macroeconomics. The first two days introduce a number of essential tools for macroeconomic research, in particular dynamic programming and dynamic stochastic general equilibrium theory, and there will be a brief overview of real business cycle theory. On Wednesday, we discuss asset pricing and models that incorporate income and wealth heterogeneity in the population. On Thursday, we explore how recursive methods and dynamic programming can be used to handle economic environments that are characterized by private information or limited commitment. The final day of the course provides an introduction to political economy in a macroeconomic setting. The course will conclude with a review of the recent financial crisis and a discussion of implications of the crisis for macroeconomic research.

The daily schedule will be:

- **9:00–10:30** First Lecture
- **11:00–12:30** Second Lecture
- **14:00–16:30** Problem Sets
- **17:00–18:30** Discussion of Problem Sets and Review

On Friday, instead of problem sets there will be a final review session from 14:00 to 15:00.

Textbooks

Ljungquist and Sargent is the main (i.e., required) text.

Preliminary Course Outline and Reading List

Monday: Introduction to Dynamic Stochastic Macroeconomics I

The origin of modern macroeconomics; dynamic stochastic general equilibrium; dynamic programming.

- LS, chapters 3, 4, 7, 8.
- SLP, chapters 3, 4, 5, 9, 10.

Tuesday: Introduction to Dynamic Stochastic Macroeconomics II

More on dynamic programming; the standard model and the growth facts; uncertainty; lottery spaces. Real business cycle theory.

- LS, chapter 12.
- SLP, chapter 15.

Wednesday: Further Topics in Dynamic Stochastic General Equilibrium

Asset pricing; heterogeneity in macroeconomics.

- LS, chapter 13, 16, 17.
Thursday: Recursive Methods for Environments with Private Information and Limited Commitment

Moral hazard; adverse selection; limited commitment.

- LS, chapters 18, 19, 20.

Friday: Introduction to Political Economy in Macroeconomics

Majority voting; probabilistic voting; macroeconomic applications.