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. On Wednesday, we focus on applied topics, namely income and wealth heterogeneity as well as asset pricing. 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 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

Dynamic stochastic general equilibrium; the recursive approach; applications to business cycle theory.

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

Tuesday: Introduction to Dynamic Stochastic Macroeconomics II

Alternative market structures; lottery spaces; life-cycle economies.

- LS, chapters 9, 12.
- SLP, chapter 15.

Wednesday: Further Topics in Dynamic Stochastic General Equilibrium

Income and wealth heterogeneity; incomplete markets; asset pricing.

- LS, chapters 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.


