

ECON 602 - Macroeconomics I

Semester 2A, AY 2023-24

Instructor: Nicolas L. Jacquet

This course, which is the first course of a two-part Macroeconomics sequence, focuses on familiarizing students with the models, concepts, and techniques commonly used in modern macroeconomic theory and its applications.

Outline of the Course:

1. Representative Agent Economies

- a. A simple endowment economy with and without uncertainty: Arrow-Debreu, Sequential, and Recursive Competitive Equilibria, and an introduction to asset pricing
- b. The Neo-Classical Growth Model with and without uncertainty: Arrow-Debreu, Sequential, and Recursive Competitive Equilibria

2. Heterogeneous Agent Economies

- a. The complete market case with commitment, and some more on asset pricing
- b. Equilibrium without commitment, applications on the link between income and consumption inequality and asset pricing again

3. Search Models of Unemployment

- a. Search and Unemployment:
 - i. The McCall Model and some applications
 - ii. The Burdett-Mortensen Model
 - iii. Some applications
- b. Equilibrium Models of Unemployment:
 - i. The Lucas-Prescott Island Model
 - ii. The Diamond-Mortensen-Pissarides Framework
 - iii. The Competitive Search Framework

4. Money and Banking

- a. Credit Cycles
- b. The Diamond-Dybvig Model of Banking
- c. Overlapping-Generations Model with and without money
- d. The New Monetarist Framework and the role of liquidity for asset pricing

References

The course will not be following any particular textbook. References to the relevant journal articles will be provided in class.

Here is a (incomplete) list of textbooks that cover some of the topics we will be discussing (titles with an “*” are the most relevant):

- L. Ljungqvist and T. Sargent, *Recursive Macroeconomic Theory*, Fourth Edition, MIT Press*
- D. Acemoglu, *Introduction to Modern Economic Growth*, Princeton University Press*
- C. Pissarides, *Equilibrium Unemployment Theory*, Second Edition, MIT Press*
- N. Stokey and R. Lucas, *Recursive Methods in Economic Dynamics*, Harvard U Press
- McCandless and N. Wallace, *Introduction to Dynamic Macroeconomic Theory*, Harvard U Press
- T. Bewley, *General Equilibrium, Overlapping Generations Models, and Optimal Growth Theory*, Harvard U Press
- Nosal and Rocheteau, *Money, Payments, and Liquidity*, Second Edition, MIT Press.

Evaluation

Problem Sets:	15%
Midterm Exam:	35%
Final Exam:	50%

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Consultations: By appointment