# ECON 602 - Macroeconomics I
## Semester 2A, AY 2020-21

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.

## <u>Outline of the Course (Tentative)</u>:

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, and an introduction to the Real Business Cycles theory and calibration

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
       iv. Some applications

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%

## Other details:

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