

Macroeconomics II

Econ 7715, Spring 2006

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TTh 12:30 – 1:30 and by appointment

Course Description

This course covers advanced topics in macroeconomics over time. The broad goals of the course are to develop the basic two period consumption model, to extend it to a representative agent model and to begin the study of stochastic shocks and incomplete information in different market arrangements. The course will present several techniques required of modern economists. The course will be oriented toward theory.

I will concentrate on tractable expository models. I probably won't get in all the topics during the course, and I will probably go through the topics nonsequentially.

Grades

There will be a midterm and a final examination. Problem sets are an important part of this course. I will assign problem sets that you should turn in one week after receiving the assignment unless I state otherwise. The final grade will be determined by the problem sets (20%), the midterm (30%) and the final (50%).

Course Materials

LJUNGQVIST, SARGENT (2004) Recursive Macroeconomic Theory, 2nd edition, M.I.T. press (hereafter LS)

This book or an electronic version of it is available in the library so that you can make copies of the relevant chapters. I will also use different notes.

Course Outline and Readings

1. Neoclassical Notes

Notes by Bart Taub

2. Equilibrium and Optimality

Notes by Dirk Krueger

3. Neoclassical deterministic growth model with *Bellman*.

Notes by Dirk Krueger

4. Recursive Competitive Equilibria: Stochastic Growth Model and Recursive Formulation

LS, Chapter 12

5. Competitive Equilibrium with Complete Markets (stochastic)

LS, Chapter 8

6. **Asset Pricing.**
7. **Self-Insurance – Precautionary Savings**
LS, Chapter 16
8. **Incomplete Markets Models**
LS, Chapter 17
9. **Search, Match and Unemployment**
LS, Chapter 6, 26
10. **Ricardian Equivalence and Optimal Taxation**
LS, Chapter 10