MACROECONOMIC THEORY II
First Half (January 16 – March 8)

Lectures: Monday and Thursday 11:30am-12:50pm
Recitations: Tuesday 11:30am-12:50pm
Classroom: Murray 208 (Lecture) and Murray 115 (Recitation)

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COURSE SUMMARY

This first half has two different sections. The first one aims to provide an introduction to infinite horizon decision problems, develop “basic dynamic programming arguments” and practice thinking recursively. I will provide useful examples with a particular emphasis on search models. The second half describes the classical New Keynesian Model.

TEXTBOOKS

The first half of the course will be based on,


The second half will be mostly based on,

EVALUATION

There will be approximately one problem set every week. I strongly encourage working in groups. However, you should submit your own answers. You need to hand in all problem sets to be able to pass. There will be a Midterm exam after this half (right before spring break).

MIDTERM DATE: March 8 in class

COURSE OUTLINE


   Adda and Cooper, ch. 2, 5, 6, 7 and 8
   Stokey and Lucas, ch. 3
   Ljungqvist and Sargent, ch. 3

2) **Search Theory.** McCall’s search model. Diamond, Mortensen and Pissarides matching model. Kiyotaki and Wright search model of money.

   Ljungqvist and Sargent, ch. 6 and 26.


   Gali, ch. 2 and 3.