

MACROECONOMIC THEORY II

Second Half (March 19th –April 30th)

Lectures: Monday and Thursday 11:30am-12:50pm

Recitations: Tuesday 11:30am-12:50pm

Classroom: Murray 208 (Lecture) and Murray 115 (Recitation)

Instructor: Zhifeng Cai

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COURSE SUMMARY

The second half of the course will lay out foundations for the study of Macro models with heterogeneous agents. After taking this course, students are expected to understand the connection between representative agent model and heterogeneous agent model and be comfortable working with several important models in this literature such as the Bewley-Huggett-Aiyagari Model and the Krusell-Smith Model.

Course Materials

The course will be based mainly on lecture notes. Students are encouraged to read original papers as we go along with the course materials.

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).

FINAL EXAM DATE: May 3rd

COURSE OUTLINE

1. Representative agent models and its foundations
2. Distributional dynamics with complete markets

Caselli and Ventura (2000), Chatterjee (1992), Maliar and Maliar(2003)

3. Income fluctuation problems in partial equilibrium
4. Income fluctuations in general equilibrium

S. Rao Aiyagari (1994)

5. Transitional Dynamics and aggregate uncertainty

Jose-Victor Rios-Rull (1997); Krusell and Smith (1998)