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  email: zhifeng.cai@rutgers.edu
Office: Room 415(NJ Hall)
Office hours: Wednesday 10:00am-11:00am

TA: Andrew Garib  email: agarib@economics.rutgers.edu
TA: Ryuichiro Izumi  email: rizumi@econ.rutgers.edu

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


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)