Economics 475: Macroeconomics I

Fall 2014

Instructor: Professor George Alessandria
Lecture: MW 9:30 – 10:45 (Harkness 208)
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Overview: This is the first course in the macroeconomics sequence designed for Ph.D. students. It covers the basics of long-run macroeconomic analysis.

We will cover (time permitting) the following topics in the course:

1. Neoclassical Growth Model
2. Dynamic Programming
      Sequential Methods
      Finite Horizon Dynamic Programming
      Infinite Horizon Dynamic Programming
      Application: Search Theory
3. Optimal Growth
      Basic Optimal Growth Model
      Generalized Model
      Recursive Competitive Equilibria
      Equilibria in Economies with Distortions
      Endogenous Technical Change
4. Overlapping Generations
      Basic OLG Model
      Monetary Equilibria
      Dynamics
      Fiscal Policy
5. Job Search – DMP Model

Grading: There will be two exams (in class). The first will be Monday, October 20, and the second will be Wednesday December 10th. Homework will be assigned periodically. Each exam will be worth 40% of your grade. The remaining 20% will be based on homework. I encourage students to work in small groups

Texts

I have put together a series of comprehensive lecture notes which will be made available on my website

as the course progresses.

https://sites.google.com/site/georgealessandria2/home/teaching

If you want to look at a textbook, some useful references are

[LS] Ljunquist and Sargent. Recursive Macroeconomic Theory,

[S] Sargent, T. Dynamic Macroeconoic Theory. Cambridge, MA, Harvard Press, 1987.

[SLP] Stokey, Nancy, Robert Lucas with Edward Prescott. Recursive Methods in Economic Dynamics. Cambridge, MA, Harvard Press, 1989.

Some additional references:

Cooley, Thomas F. Frontiers of Real Business Cycle Research. Princeton, NJ, Princeton Press, 1995.

Dixit, A.K. Optimization in Economic Theory. New York, Oxford Press 1990.

Kreps, David. Appendix on Dynamic Programming in A Course in Microeconomic Theory. Princeton, NJ, Princeton Press, 1990.

McCandless, George and Neil Wallace. Introduction to Dynamic Macroeconomic Theory: An Overlapping Generations Approach. Cambridge, MA, Harvard Press, 1991.

Pissarides, Christopher. Equilibrium Unemployment Theory. Cambridge, MA, Blackwell, 1990.

Sargent, T. and R. Manuelli. Solution Manual to Dynamic Macroeconomic Theory. Cambridge, MA, Harvard Press, 1995.

Growth:

*Ramsey, Frank P. 1928. A mathematical theory of saving. Economic Journal 38:543-559.

*Solow, Robert M. 1956. A contribution to the theory of economic growth. Quarterly Journal of Economics 70:65-94.

*Swan, Trevor W. 1956. Economic growth and capital accumulation. Economic Record 32:334-361.

*Cass, David. 1965. Optimum growth in an aggregate model of capital accumulation. Review of Economic Studies 32:233-240.

Koopmans, Tjalling C. 1965. On the concept of optimal growth. The Econometric Approach to Development Planning. Chicago: Rand McNally.

Brock, William, and Leonard Mirman (1972): "Optimal Economic Growth and Uncertainty: The Discounted Case," Journal of Economic Theory, 4(3), 479–513.

Overlapping Generations:

Diamond, Peter. 1965. National Debt in a Neoclassical Growth Model. American Economic Review 55, 5 Oao(r)-4(ow)6