

Macroeconomics II

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NB: The reading may be further updated during the course

PART I

Dynamic General Equilibrium Models

1) The Ramsey-Cass-Koopmans Model (2 lectures)

Compulsory readings:

- Lecture notes and slides
- Ljungqvist and Sargent (L&S), 2004, *Recursive Macroeconomic Theory*, 2 ed., MIT Press: Ch. 10-11
- King and Rebelo, 1993, Transitional Dynamics and Economic Growth in the Neoclassical Model, *AER* 83, 908-31.

Suggested readings:

- Romer, 2001, *Advanced Macroeconomics*, 2 ed., McGraw-Hill: Ch. 2 Part A, Sections 11.1-11.3
- Barro and Sala-I-Martin, 2003, *Economic Growth*, 2 ed., MIT Press: Ch. 2
- King, Plosser, and Rebelo, 1988, Production, Growth, and Business Cycles. I. The Basic Neoclassical Model, *JME* 21, 195-232.
- King, Plosser, and Rebelo, 2002, Production, Growth, and Business Cycles. Technical Appendix, *Computational Economics* 20, 87-116.
- Cunat and Maffezzoli, 2004, Neoclassical Growth and Commodity Trade, *RED* 7, 707-36.

PART II

Dynamic Stochastic General Equilibrium Models

2) Equilibrium with Complete Markets (2 lectures)

Compulsory readings:

- Lecture notes and slides
- L&S: Sections 8.1-8.6, 8.8-8.10, 8.13

Suggested readings:

- Mas-Colell, Whinston, and Green, 1995, *Microeconomic Theory*, Oxford: Ch. 19.A-19.E, 20.A-20.F

3) Recursive Competitive Equilibria (1 lecture)

Compulsory readings:

- Lecture notes and slides
- L&S: Ch. 12

4) Asset Pricing (2 lectures)

Compulsory readings:

- Lecture notes and slides
- L&S: Sections 8.7, 13.1- 13.3, 13.5-13.13

Suggested readings:

- Cochrane, 2008, Financial Markets and the Real Economy, in: *Handbook of the Equity Risk Premium*, Elsevier. Download the pdf from [here](#).
- Campbell, 1999, Asset Prices, Consumption, and the Business Cycle, in: *Handbook of Macroeconomics*, Taylor and Woodford, Elsevier
- Campbell, 2003, Consumption-Based Asset Pricing, in: *Handbook of the Economics of Finance*, Constantinides, Harris, and Stulz, North-Holland
- Romer, 2001, *Advanced Macroeconomics*, 2 ed., McGraw-Hill: Section 7.5
- Sargent, 1987, *Dynamic Macroeconomic Theory*, Harvard: Section. 3.2-3.3, 3.5, 3.7-3.8

5) Real Business Cycle Models

Compulsory readings:

- Lecture notes and slides
- Favero and Maffezzoli, 2001, Calibration, in: Favero, *Applied Macroeconometrics*, Oxford University Press, 2001, 241-77
- Cooley and Prescott, 1995, Economic Growth and Business Cycles, in: *Frontiers of Business Cycles Research*, Cooley, Princeton, Ch. 1
- King and Rebelo, 1999, Resuscitating Real Business Cycles, in: *Handbook of Macroeconomics*, Taylor and Woodford, Elsevier, 927-1008
- Rebelo, 2005, Real Business Cycle Models: Past, Present and Future, *The Scandinavian Journal of Economics* 107, 217-238

Suggested readings:

- Campbell, 1994, Inspecting the Mechanism, *JME* 33, 463-506
- Hall, 1999, Labor-market Frictions and Employment Fluctuations, in: *Handbook of Macroeconomics*, Taylor and Woodford, Elsevier, 1137-1170
- Hartley, Hoover, and Salyer, 1997, The Limits of Business Cycle Research: Assessing the RBC Mod-

- el, *Oxford Review of Economic Policy* 13, 34-54
- Maffezzoli, 2001, Non-Walrasian Labor Markets and Real Business Cycles, *RED* 4, 860-892
- Romer, 2001, Ch. 4

6) Heterogeneous agents

Compulsory readings:

- Lecture notes and slides
- S&L: Sections 2.2, 4.2-4.5, Ch. 16-17 (skip 16.4, 17.3, 17.7, 17.10-17.12)
- Aiyagari, 1994, Uninsured Idiosyncratic Risk and Aggregate Saving, *QJE* 109, 659-84
- Huggett, 1993, The risk-free rate in heterogeneous-agent incomplete-insurance economies, *JEDC* 17, 953-69.
- Krusell Smith, 1998, Income and wealth heterogeneity in the macroeconomy, *JPE* 106, 867-96
- Heathcote, Storesletten, and Violante, 2009, Quantitative Macroeconomics with Heterogeneous Households, *Annual Review of Economics* 1, 319-54. Download the pdf from [here](#).

Suggested readings:

- Chamberlain and Wilson, 2000, Optimal Intertemporal Consumption under Uncertainty, *RED* 3, 365-95
- Miao, 2006, Competitive equilibria of economies with a continuum of consumers and aggregate shocks, *JET* 128, 274-98
- Krueger and Lustig, 2009, When is market incompleteness irrelevant for the price of aggregate risk (and when is it not)?, *JET*, forthcoming. Download the pdf from [here](#).
- Krueger, 2007, *Macroeconomic Theory*, mimeo, ch. 10. Download the pdf from [here](#).