

Macroeconomics with Heterogeneous Agents (Econ 881-33, Spring 2017)

2nd-year PhD module

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Part 1: Household heterogeneity

W1) Complete vs incomplete markets, the Bewley (1986) economy. How to solve for the stationary equilibrium of an economy with heterogeneous households.

W2) Precautionary savings and aggregate capital in GE: the Aiyagari (1994) economy. How to solve for transitional dynamics between stationary equilibria. (Computational assignment: solve for (i) stationary equilibrium and (ii) unexpected "credit shock" in the Aiyagari model, due in W7).

W3) Idiosyncratic and aggregate risk: the Krusell-Smith (1998) economy. Business cycles with heterogeneous households.

Part 2: Firm heterogeneity

W4) Models of firm dynamics (Hopenhayn, 1992, Hopenhayn and Rogerson, 1993). Investment adjustment costs: macro v micro, non-convexities. The basic facts from Cooper and Haltiwanger (2006).

W5) Khan-Thomas (2008): does GE kill investment "lumpiness"? Business cycles with heterogeneous firms.

W6) Secondary markets and equilibrium capital reallocation. Data and models (Lanteri, 2016).

W7) Students' presentations

Required readings

- 1) Ljungqvist and Sargent, Recursive Macroeconomic Theory, Chapters 8, 16, 17 (at least these are Chapter numbers in the ``red'' edition , may be different in other)
- 2) Aiyagari (1994), Uninsured Idiosyncratic Risk and Aggregate Savings, QJE
- 3) Krusell and Smith (1998), Wealth and Income Heterogeneity in the Macroeconomy, JPE
- 4) Hopenhayn and Rogerson (1993), Job Turnover and Policy Evaluation: A General Equilibrium Analysis, JPE
- 5) Cooper and Haltiwanger (2006), On the Nature of Capital Adjustment Costs, ReStud
- 6) Khan and Thomas (2008), Idiosyncratic Shocks and the Role of Nonconvexities in Plant and Aggregate Investment Dynamics, Econometrica