PhD Macro – Econ 706 part 1
Spring 2019
Instructor: Andrea Lanteri

Admin info
Lectures: Mon-Wed 10:05 – 11:20 am in Physics 130
Office hours: Fri 1:30 – 2:30 pm
Contact: andrea.lanteri@duke.edu - office 233 in Social Sciences
TAs: Federico Bennett (federico.bennett@duke.edu) and Yuxuan He (yuxuan.he@duke.edu)
TA sessions: Mon 6:30-7:20 in Old Chemistry 123
TAs’ office hours: Thu 4-5 pm in SocSci 03 Conf Room (Federico); Fri 2:30-3:30 pm in SocSci 111 (Yuxuan)
Exam: 2/25 in class

Course Description and Rules
In this class, we will cover the basics of three large topics in macroeconomics: search models of the labor market; models of risk sharing with household heterogeneity; fiscal policy. There will be weekly assignments which involve both pencil-and-paper exercises and a few computational exercises. The purpose of the computational assignments is to bring students closer to the tools actually used to do research in macro. Given that this is a first-year class, the assignments put more emphasis on tools that are highly applicable also to other fields in economics research (such as dynamic programming). Collaboration in groups of up to three people is highly encouraged, and it is OK to hand in a single code for the whole group for the computational exercises. As far as the pencil-and-paper exercises are concerned, each student should hand in an individual homework. Overall, assignments will account for ten percent of the final evaluation. The final written exam will involve three questions, one for each topic covered in the class.
Topics

Part 1: Search & matching models of unemployment

1) Key facts about labor markets over the business cycle. The basic S&M framework. Pissarides (2000) Ch. 1


Part 2: Risk sharing with incomplete markets


4) Endogenously incomplete markets, recursive contracts and applications. LS Ch. 19, Marcet and Marimon (2017), Kehoe and Perri (2002)

Part 3: Fiscal policy in dynamic general equilibrium models

5) Ricardian Equivalence. Ramsey equilibrium and primal approach: optimal fiscal policy in the neoclassical growth model. LS Ch. 10-15

Readings

Textbook chapters:


Articles:

2) Shimer (2005), The Cyclical Behavior of Unemployment and Vacancies, AER
3) Aiyagari (1994), Uninsurable Idiosyncratic Risk and Aggregate Saving, QJE
4) Krusell and Smith (1998), Income and Wealth Heterogeneity in the Macroeconomy, JPE
5) Marcet and Marimon (2017), Recursive Contracts, WP
7) Chari and Kehoe (1999), Optimal Fiscal and Monetary Policy, Handbook of Macroeconomics
8) Kydland and Prescott (1977), Rules Rather than Discretion: The Inconsistency of Optimal Plans, JPE
9) Klein, Krusell and Rios-Rull (2008), Time-Consistent Public Policy, ReStud
10) Sargent (2012), Nobel Lecture: United States Then, Europe Now, JPE