PhD Macro – Econ 706 part 1

Spring 2020

Instructor: Andrea Lanteri

Admin info

Lectures: Mon-Wed 10:05 – 11:20 am in Physics 130
Office hours: Fri 1:30 – 2:30 pm in Social Sciences 233
Contact: andrea.lanteri@duke.edu
TAs: Sumin Chun (sumin.chun@duke.edu) and Eun-Seok (Ian) Lee (eunseok.lee@duke.edu)
TA sessions: Mon 6:15-7:05 in Social Sciences 109
TAs’ office hours: TBA
Exam: 2/26 in class

Course Description and Rules

In this class, we will cover the basics of three large areas in macroeconomics: search models of the labor market; models with heterogeneous agents; and optimal 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 10% of the final evaluation. The final written exam will involve three questions, one for each part of the class.
Topics

Each item corresponds to approximately a week of lectures.

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

2) Endogenous job destruction. The Shimer Puzzle and its “fixes”.

Part 2: Macro with heterogeneous agents

   LS Ch. 16-17, Aiyagari (1994), Krusell and Smith (1998)

4) Endogenously incomplete markets. Recursive contracts and international-macro application.
   LS Ch. 19, Marcet and Marimon (2019), Kehoe and Perri (2002)

5) Firm dynamics in general equilibrium.
   Hopenhayn and Rogerson (1993)

Part 3: Fiscal policy in dynamic general equilibrium models

   LS Ch. 10-15

7) The time inconsistency of Ramsey plans. Markov-Perfect Equilibrium and time-consistent policies.
   Kydland and Prescott (1977), Klein et al. (2008)
Readings

Textbook chapters:


Articles:

2) Shimer (2005), The Cyclic 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 (2019), Recursive Contracts, Ecta
8) Chari and Kehoe (1999), Optimal Fiscal and Monetary Policy, Handbook of Macroeconomics
9) Kydland and Prescott (1977), Rules Rather than Discretion: The Inconsistency of Optimal Plans, JPE
10) Klein, Krusell and Ríos-Rull (2008), Time-Consistent Public Policy, ReStud
11) Sargent (2012), Nobel Lecture: United States Then, Europe Now, JPE