Macroeconomics 3

Module 3, 2018-2019

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Course information

Course Website: my.nes.ru

Instructor's Office Hours: by appointment

Class Time: TBA

Room Number: TBA

TAs: TBA

Course description

This is the first graduate-level course in the macro sequence. It introduces basic methods and concepts commonly used in modern macroeconomics. The primary examples for this exposition are the Neoclassical Growth Model and the Overlapping Generations Model. The students will learn to solve deterministic dynamic optimization problems in discrete and continuous time, with sequence and recursive approaches. We will use the social planner's problem to find the "first best" allocation, distinguish between different concepts of competitive equilibria, and solve the Ramsey problem to determine the optimal policy.

Course requirements, grading, and attendance policies

Class attendance and participation are encouraged, but not required. The course grade will be based on homework assignments (10% of the grade), the midterm (30%), and the final exam (60%).

Course contents

1. The Neoclassical Growth Model. Social planner's problem. Continuous and discrete time, sequence and recursive formulation.
2. Equilibrium concepts: Arrow-Debreu Competitive Equilibrium, Sequence of Markets Competitive Equilibrium, Recursive Competitive Equilibrium.
3. The Ramsey problem of optimal policy. Capital taxation.
4. The Overlapping Generations Model. Ricardian equivalence.

Sample tasks for course evaluation

Consider a permanent and a transitory productivity shocks in a neoclassical growth model with a Cobb-Douglas production function. Describe the paths of consumption and capital accumulation after each shock. Explain the differences.

Course materials

There is no required textbook, but selected chapters from Ljungqvist and Sargent "Recursive Macroeconomic Theory" and Stokey, Lucas and Prescott "Recursive Methods in Economic Dynamics" will come in handy.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.