Monday and Wednesday, 9:00 AM - 10:15 AM, ECON 119

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Modern macroeconomics seeks to explain the dynamic interactions between, first and foremost, aggregate variables such as output, inflation and investment on the basis of optimizing individual behavior. Throughout this semester, we will study the mainstream macroeconomic approach and acquire the tools needed to perform independent research in the field.

The second course of the macroeconomics sequence is designed to cover a variety of contemporary topics and issues in modern macroeconomic theory. The tentative course plan does not emphasize a specific topic but seeks to provide a general perspective and establish a foundation in the main research areas.

The required textbook is:

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d Robert E. Lucas, *Recursive Methods in Economic*
rd University Press
nd Stanley Fischer, *Lectures on Macroeconomics*, 1990,

Editor), *Frontiers of Business Cycle Research*, 1995,

There will be one midterm, three assignments and a final exam. The midterm will count 30%, each assignment will count 10% and the final exam will be worth 40% of the overall grade. The midterm will be held on March 9$^{th}$. The final examination date and the assignment dates are to be announced.

Part 1: Deterministic and Stochastic Growth

- Stokey and Lucas, Ch. 1, 2
- Also Useful: Cooley, Ch. 1

Part 2: Competitive Equilibrium with Complete Markets

- Ljungqvist and Sargent, Ch. 7, 8
- Also Useful: Stokey and Lucas, Ch. 15, 16

Part 3: Incomplete Markets with Heterogeneous Agents

- Ljungqvist and Sargent, Ch. 14
- Also Useful: Cooley, Ch. 4

Part 4: Money

- Ljungqvist and Sargent, Ch. 17
- Blanchard and Fischer, Ch. 4
- Also Useful: Cooley, Ch. 7