Economics 607: Macroeconomic Theory I
Fall 2014

Instructor

Prof. Serena Rhee
Office: Saunders Hall 516
Phone: 956-7749
E-mail: rhees@hawaii.edu
Web: https://sites.google.com/site/rheeserena
Office Hours: Monday, 3:30-5:30; and by appointment

Teaching Assistant: TBA
Office Hours: TBA
E-mail: TBA

Course Objectives

This course introduces a set of main workhorse models that are used in modern macroeconomics. The goal of this course is to have students learn how to develop and quantify general equilibrium models to study macroeconomic topics. Topics will include economic growth, business cycles, and incomplete markets with heterogeneous agents.

Texts

Most of the semester will utilize the notes at the course web. I will make reference at time to the following texts as well.


Grading

The course grade will depend on two midterms, and a final exam. Each midterm accounts 25% of the grade. The final will be 50%.

Examinations

Midterms will be held in class at the usual time and place. The final examination will be cumulative, with more emphasis placed on material not covered in the midterms. The exam dates are:

1. Midterm 1: Wednesday, October 1
2. Midterm 2: Wednesday, November 5
3. Final Exam: Monday, December 15, 2:15 to 4:15 pm

**Tentative Outline**

*This schedule will change* as the semester proceeds. Updates will be provided in class.

1. Introduction to Dynamic Programming
   a. Mathematical Preliminaries (SLP Chapter 3)
   b. Dynamic Programming under Certainty (SPL Chapter 4/ LS Chapter 3)
   c. Dynamic Programming under Uncertainty (SPL Chapters 7,8,9/ LS Chapters 7,12)

2. Neoclassical Growth Model (LS Chapter 8)
   a. Competitive Equilibrium with Complete Markets
   b. The Two Welfare Theorems
   c. Stochastic Neoclassical Growth Model
   d. Real Business Cycles and Calibration
      - Kydland, Finn E. & Prescott, Edward C., Time to Build and Aggregate Fluctuations, Econometrica, 1982

3. Models with Risk (LS Chapter 13)
   a. Asset Pricing - Lucas’ Tree Model
   b. The Equity Premium Puzzle
   c. Solutions to the Equity Premium Puzzle

4. Heterogeneous Agents with Incomplete Markets (LS Chapters 16, 17)
   a. Bewley-Aiyagari Model
   b. Krusell-Smith Method
   c. Economic Policy

5. Firm Dynamics and Industry Equilibrium
   o Hsieh, Chang-Tai & Klenow, Peter, Misallocation and Manufacturing TFP in China and India, Quarterly Journal of Economics, 2009