

**ECONOMICS 816**  
**Advanced Macroeconomic Theory I**  
Fall 2012

**Instructor:**

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**Office Hours:**

Wednesdays, 10am-noon

Tuesdays, 3-4pm

**Readings:**

There is no required text for the course. For various sections of the course, however, the following books will be useful for reference:

- *Recursive Macroeconomic Theory*, 2nd edition, Lars Ljungqvist and Thomas J. Sargent, MIT Press, 2004.
- *Dynamic Macroeconomic Theory*, Thomas J. Sargent, Harvard University Press, 1987.
- *Frontiers of Business Cycle Theory*, Thomas F. Cooley, ed., Princeton University Press, 1995.
- *Equilibrium Unemployment Theory*, Christopher A. Pissarides, MIT Press, 2000.
- *Recursive Methods in Economic Dynamics*, Nancy L. Stokey and Robert E. Lucas Jr., with Edward C. Prescott, Harvard University Press, 1989.
- *Labor Markets and Business Cycles*, Robert Shimer, Princeton University Press, 2010.

The course outline, located on the course home-page:

<http://qed.econ.queensu.ca/pub/faculty/head/econ816/econ816.html>

provides information regarding and links to the papers that will be discussed in conjunction with each part of the course. If you have trouble accessing any of the papers or books listed, please contact either the instructor or the T.A..

**Course Overview:**

The course will focus on the tools of dynamic general equilibrium theory and their application to various problems in macroeconomic theory. The emphasis will be on the setting up and solving of recursive dynamic problems and on the interpretation of the solutions as recursive equilibria.

**Course Requirements:**

The final mark will be a determined by a weighted average of scores on assignments and two exams, a midterm and a final. The weights will be:

Assignments	15%
Midterm Exam	30%
Final Exam	55%

The assignments will be problem sets. These will be posted on the course web-page as they are assigned. After their due dates, answers will also be posted there.

## Course Outline

### 1. Recursive Methods

- Ljungqvist and Sargent (2004), Chapters 1,3,4,5
- Sargent (1987), Chapter 1
- Blanchard and Kahn (1980)

### 2. Asset Prices and a Quantitative Application

- Ljungqvist and Sargent (2004), Chapter 13
- Sargent (1987), Chapter 3
- Lucas (1978, 1982), Mehra and Prescott (1985)

### 3. The Basic “Real Business Cycle” Model

- Cooley and Prescott (1995) (*Chapter 1 in Cooley (1995)*)
- Hansen and Wright (1992)
- Cooley and Hansen (1989)

### 4. Uninsured Idiosyncratic Risk and Heterogeneity

- Ljungqvist and Sargent (2004), Chaps. 16 and 17
- Rios-Rull (1995) (*Cooley (1995) Ch. 5*)
- Huggett (1993)
- Aiyagari (1994)
- Krusell and Smith (1998)

### 5. Macroeconomics with Search Frictions in the Labour Market

- Pissarides (2000), Chaps. 1,2, and 8.
- Shimer (2010)
- Ljungqvist and Sargent (2004), Chapter 26
- Andolfatto (1996)
- Shimer (2005)
- Hagedorn and Manovskii (2008)
- Krusell, Mukoyama, and Sahin (2010)

### 6. A Framework for Macroeconomic Analysis with Search Frictions

- Nosal and Rocheteau (2011)
- Williamson and Wright (2010, 2011)