Readings

- T. J. Kehoe and E. C. Prescott, editors, *Great Depressions of the Twentieth Century*, Federal Reserve Bank of Minneapolis, 200

Grading

There will be homework assignments, a midterm exam and a final exam. They will count towards your grade as follows: Homework 30%, Midterm Exam 30%, and Final Exam 40%.

Cooperation on Assignments

Students are permitted (and encouraged) to discuss the answers to problem sets together. Copying from another student’s answers is not allowed.

List of Topics

1. Introduction to Dynamic General Equilibrium Theory
   
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      (a) Arrow-Debreu competitive equilibrium
      (b) Necessary and sufficient conditions for optimality.
      (c) Sequence-of-markets equilibrium (equivalence to Arrow-Debreu)
      (d) Social planner’s problem
      (e) Welfare Theorems
2. Ricardian Equivalence


2. Overlapping Generations Models

1. Arrow-Debreu versus Sequential Markets
2. the value of outside money
3. Social planner’s problem
4. Welfare Theorems
5. Ricardian Equivalence


3. Uncertainty. Consumption and Risk Sharing

1. The structure of information and complete markets
2. The price of an asset
3. Arrow Securities


Chapter 2 of Stokey, Lucas and Prescott. Chapter 8 of Sargent and Ljungqvist.
4. Neoclassical Growth Theory

1. Steady state analysis and calibration
2. Competitive Equilibrium and the Ownership of Factors
3. Transitional Dynamic
4. Taxation and Government Expenditures
5. Optimal Taxation
6. Tax Smoothing

Cooley, chapters 1, 2.

T.J. Kehoe, “Calibrating the Growth Model”.


