COURSE OBJECTIVES
The goals of this course are to provide you with an introduction to basic issues in business cycle theory.

TEXTBOOK
You should have access to a copy of Ljungqvist and Sargent, ‘Recursive Macroeconomic Theory’, MIT press. The references below pertain to the fourth edition.

EVALUATION
The grade in this course will be based on three components: (i) a midterm (45%), (ii) a final exam (45%); (iii) a set of assignments to be distributed throughout the quarter (10%).

The midterm (the exam for my half of the course) will be on Feb 1.

My midterm exam will be on Fri Feb 14 2020.

TEACHING ASSISTANT: Laura Murphy, Office Hours: Thursday, 3:00 - 5:00 pm. My office hours, Tues, 5:00 – 6:00 as well as by appt.

COURSE OUTLINE

1. Asset pricing and risk in a neoclassical setting

   a. Ljungqvist and Sargent, Ch. 13, Asset Pricing Theory (don’t show equivalence between sequence of markets and t=0).
   b. John Cochrane, Asset Prices, Ch. 2 (available on course web page).
      Application, Ljungqvist and Sargent, Ch.10, Ricardian Equivalence.

2. The Real Business Cycle Model, including labor market and financial market frictions (with numerical applications)
   a. Class Notes.
c. Ljungqvist, Lars, and Thomas J. Sargent. 29.3, A Matching Model

d. L. Christiano, M. Eichenbaum and M. Trabandt, ‘Wage Inertia is Fundamental’, manuscript

3. The Ramsey Approach to Optimal Policy

a. Ljungqvist and Sargent, Ch. 16, Optimal Taxation with Commitment.

4. Selected Monetary Policy Issues, Classical Perspectives

a. Ljungqvist and Sargent, Section 24.7.

b. Ljungqvist and Sargent, Ch. 27, Fiscal - Monetary Theories of Inflation.