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 4. 11:00 – 1:00 pm.

ASSIGNMENTS: if and when we go back to live lectures, please give Andrea hard copy of assignments. All assignments are due by 6:00 pm Tuesday.

TEACHING ASSISTANT: Andrea Ferrara, Office Hours: Monday, 2:00 - 4:00 pm. Andrea will leave if no one shows up till 3:00 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.
   b. John Cochrane, Asset Prices, Ch. 2 (available on course web page).
      Applications, Ljungqvist and Sargent, Ch.10, Ricardian Equivalence.

2. **The Real Business Cycle Model, including labor market (with numerical applications)**
   a. Class Notes.
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. Class Notes.
   b. Ljungqvist and Sargent, Section 24.7.
   c. Ljungqvist and Sargent, Ch. 27, Fiscal - Monetary Theories of Inflation.