

NORTHWESTERN UNIVERSITY  
411:2 MACROECONOMICS  
Winter 2022

**Martin Eichenbaum**

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**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.
  - b. L. Christiano, M. Eichenbaum and M. Trabandt, [Why is Unemployment Countercyclical](#)'.

- c. Eichenbaum, Martin, Sergio Rebelo and Mathias Trabandt, 2021. [The Macroeconomics of Epidemics](#).
  
- 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.