

**ECON 7040-002 MACROECONOMIC THEORY 2**  
**SPRING 2007**

## **Grading Policy and Exam Dates**

There will be one midterm, three assignments and a final exam. The midterm will count 30%, each assignment will count 10% and the final exam will be worth 40% of the overall grade. The midterm will be held on March 21<sup>st</sup>. The final examination date and the assignment dates are to be announced.

## **Course Outline**

### Part 1: Deterministic and Stochastic Growth

- Stokey and Lucas, Ch. 1, 2
- Also Useful: Cooley, Ch. 1

### Part 2: Competitive Equilibrium with Complete Markets

- Ljungqvist and Sargent, Ch. 7, 8
- Also Useful: Stokey and Lucas, Ch. 15, 16

### Part 3: Incomplete Markets with Heterogeneous Agents

- Ljungqvist and Sargent, Ch. 14
- Also Useful: Cooley, Ch. 4

### Part 4: Money

- Ljungqvist and Sargent, Ch. 17
- Blanchard and Fischer, Ch. 4
- Also Useful: Cooley, Ch. 7

### Part 5: Issues in Fiscal and Monetary Policies

- Ljungqvist and Sargent Ch. 12
- Lucas, R., Stokey, N., "Optimal Fiscal and Monetary Policy in an Economy without Capital", Journal of Monetary Economics, Vol. 12, July 1983
- Chari, V., Christiano, J., Kehoe, P., "Optimal Fiscal and Monetary Policy: Some Recent Results", Journal of Money, Credit and Banking, Vol. 23, August 1991
- Also Useful: Blanchard and Fischer, Ch. 11

### Part 6: Asset Pricing (Time Permitting)

- Ljungqvist and Sargent, Ch. 10