

**Economics 8106**  
**Professor V.V. Chari**  
**Fall 2008**

## **Macroeconomic Theory: Part II**

The purpose of this course is to strengthen your understanding of dynamic general equilibrium theory under uncertainty. We will also discuss monetary models.

### **Course Requirements:**

We will have homework assignments every week, a midterm exam and a final. The assignments will constitute 30%, the midterm 20%, and the final 40% of your grade.

### **Office Hours:**

By appointment. My office is 1145 Heller Hall. Telephone numbers are 626-7151, and (763) 559-8159 (home). My e-mail address is chari@econ.umn.edu.

### **Teaching Assistant:**

The TA is Manuel Macera Carnero. His e-mail address is macer001@umn.edu. He will hold a recitation section each week.

### **Textbooks:**

**Required:** *Recursive Macroeconomic Theory*: Lars Ljungqvist & Thomas Sargent, MIT Press.

**Recommended:** *Recursive Methods in Economic Dynamics*: Stokey, Lucas and Prescott,  
Harvard University Press.

### **Other Useful References:**

*Frontiers in Business Cycle Research*, Princeton University Press, Princeton, NJ.,  
Thomas Cooley and Edward Prescott, eds.

*Handbook of Macroeconomics*, North Holland. John Taylor & Michael Woodford, eds.

Lecture 1:	Introduction, Economic Report of the President, Review of Growth Model
Lecture 2:	Deterministic Dynamics of growth model, linearization Chapter 6, SLP
Lecture 3	Search models
Lecture 4:	The growth model with uncertainty. Chapter 10, SLP
Lecture 5:	Stochastic Dynamic Programming Chapter 9, SLP
Lecture 6:	Convergence of Markov Processes Chapter 13, SLP
Lecture 7:	Technical Issues related to convergence Chapter 11, SLP
Lecture 8-9	Overlapping Generations Model Chapter 9. S-L
Lecture 10:	Asset Pricing Chapter 10 S-L
Lecture 11-12	Cash-in-advance money in the utility function models Chapters 24,25 S-L
Lecture 13	Sustainable Plans Chari-Kehoe, JPE
Lecture 14	Sophisticated Monetary Policies Atkeson, Chari, Kehoe, Working Paper.