



COURSE	ADVANCED MACRO II (Part I)
PROFESSOR	Isaac Baley (isaac.baley@upf.edu)
ASSISTANT	Ilja Kantorovich (ilja.kantorovich@upf.edu)
THEORY	Thu 9 - 11, Room 24.S01 Start: Jan 7 th Fri 11- 13, Room 24.112 End: Feb 5 th
SEMINARS	TBD
OFFICE HOURS	Thu 11-13, Room 20.161

OBJECTIVES

We study the behavior of two key components of GDP: consumption and investment. The first objective is to develop economic models that describe consumption and investment decisions by households and firms, and evaluate their empirical performance at business cycle frequency. The second objective is to familiarize you with the techniques used in modern macroeconomics to analyze intertemporal optimization problems with uncertainty, such as stochastic dynamic programming, as well as their computational implementation.

COURSE OUTLINE

1. Stochastic Dynamic Programming
2. Investment: Frictionless and Convex Adjustment Costs
3. Investment: Non Convex Adjustment Costs
4. Consumption: Permanent Income Hypothesis
5. Consumption: Empirical Performance
6. Consumption: Precautionary Savings and Borrowing Constraints
7. Consumption: Alternative Preferences
8. Asset Pricing
9. Equity Premium Puzzle
10. Introduction to Numerical Methods

RESOURCES

Main Books

- Adda and Cooper, *Dynamic Economics*, MIT Press, 2003.
- Ljungqvist and Sargent, *Recursive Macroeconomic Theory*, MIT Press, 2000 or later.
- Romer, *Advanced Macroeconomics*, McGraw Hill, 2001 or later.

Papers

- A list of papers will be posted online, some of which will be required readings.

Lecture Notes

- Lecture notes will be posted in Box or electronic campus in advance.

SEMINARS

A problem set will be assigned each week and it can be solved **together** in groups of 3-4 students. The solutions (preferably typed in Latex) must be handed in to the TA before each seminar, where the solutions and additional material will be explained.

EVALUATION

Exam (80%) and Problem Sets (20%)