



## **REQUIRED TEXTS**

Ljungqvist, Lars and Thomas J. Sargent, Recursive Macroeconomic Theory, Cambridge: MIT Press.

Romer, David, Advanced Macroeconomics, New York: McGraw-Hill.

## **BACKGROUND TEXTS**

Barro, Robert J. and Xavier Sala-i-Martin, Economic Growth, New York: McGraw Hill.

Blanchard, Olivier J. and Stanley Fischer, Lectures on Macroeconomics, Cambridge: MIT Press.

Dixit, Avinash K., Optimization in Economic Theory, Second Edition, Oxford: Oxford University Press.

Farmer, Roger E., The Macroeconomics of Self-Fulfilling Prophecies, Cambridge: MIT Press.

Sargent, Thomas J., Dynamic Macroeconomic Theory, Cambridge: Harvard University Press.

# COURSE OUTLINE

## I. INTRODUCTION

1. Background Issues
  - Blanchard and Fischer: Chapter 1
  - Romer: Introduction
2. Tools and Models
  - Dixit: Chapters 1 through 8
3. A Review of Static Models

## II. REVIEW: TWO-PERIOD ECONOMIES

1. Consumption
  - Boileau, Lecture Notes Sections 1 through 3
2. A Pure Exchange Economy
  - Boileau, Lecture Notes Section 4
  - Farmer: Chapter 4
3. A Production Economy
  - Boileau, Lecture Notes Sections 5 and 6

### III. INFINITE HORIZON ECONOMIES

#### 1. The Solow Growth Model

Barro and Sala-i-Martin: Chapter 1

Romer: Chapter 1

Solow, Robert M., 1956, A Contribution to the Theory of Economic Growth, Quarterly Journal of Economics **70**, 65–94.

#### 2. Overlapping Generations Models

Blanchard and Fischer: Chapter 3

Farmer: Chapter 6

Ljungqvist and Sargent: Chapter 8

Romer: Chapter 2, part B

Diamond, Peter A., 1965, National Debt in a Neoclassical Growth Model, American Economic Review **55**, 1126–1150.

#### 3. Dynamic Programming and Optimal Control

Dixit: Chapters 10 and 11

Ljungqvist and Sargent: Chapters 2, 3, 4, and 6

Sargent: Chapter 1

#### 4. The Neoclassical Growth Model

Barro and Sala-i-Martin: Chapter 2

Blanchard and Fischer: Chapter 2

Ljungqvist and Sargent: Chapter 11

Romer: Chapter 2 part A

## IV. STOCHASTIC ECONOMIES

### 1. Expected Utility Theory

Dixit: Chapter 9

Farmer: Chapter 8

Ljungqvist and Sargent: Chapters 1 and 10

### 2. Consumption

Blanchard and Fischer: Chapter 6 part 2

Romer: Chapter 7

Sargent: Chapter 3

Hall, Robert E., 1978, Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence, *Journal of Political Economy* **86**, 971–987.

### 3. Investment

Blanchard and Fischer: Chapter 6 part 2

Romer: Chapter 8

Hayashi, Fumio, 1982, Tobin's Marginal  $q$  and Average  $q$ : A Neoclassical Interpretation, *Econometrica* **50**, 213–224.

### 4. Linear Rational Expectations Solutions

Romer: Chapter 6 part B

Farmer: Chapters 2 and 3

### 5. Real Business Cycle Theory

Farmer: Chapters 2 and 3

Ljungqvist and Sargent: Chapter 7

Romer: Chapter 4

King, Robert G., Charles I. Plosser, and Sergio T. Rebelo, 1988, Production, Growth, and Business Cycles: I. The Basic Neoclassical Model, *Journal of Monetary Economics* **7**, 67–82.

## University Policies

You should familiarize yourself with the following University of Colorado policies:

1. University policies regarding classroom behavior are available at  
<http://www.colorado.edu/policies/classbehavior.html>
2. University policies regarding disabilities are available at  
<http://www.colorado.edu/disabilityservices>.
3. University policies regarding religious practice are available at  
[http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html).
4. University policies regarding Sexual Harassment and Amorous Relationships are available at  
<http://www.colorado.edu/odh/>.
5. Information regarding the Honor Code Council is available at  
<http://www.colorado.edu/policies/honor.html>  
<http://www.colorado.edu/academics/honorcode/>.