General Economic Theory: Macroeconomics
ECON 510a, Fall 2010
(Second Half)
Yale University

Syllabus

Instructor: Guillermo Ordonez, 28 Hillhouse Avenue (Room 208), (203) 432-8320, guillermo.ordonez@yale.edu.

Teaching Fellow: As for the first half, the Teaching Fellow is Max Dvorkin, maximiliano.dvorkin@yale.edu.

Course Web Site: https://classesv2.yale.edu/portal/site/econ510_f10

Course Description
The purpose of the second half of Econ 510a is to keep building our understanding about modern macroeconomic theory. We pick up where the first half left off, by studying a general equilibrium macroeconomic model with perfect competition, complete markets and heterogeneous agents. This model constitutes a useful baseline for modern macroeconomic research and we will use it as a benchmark to study Real Business Cycles, Asset Pricing, Neoclassical growth models and Ramsey taxation.

Current research departs from this baseline in various ways. We will analyze some of these departures as well, such as limited commitment, moral hazard and private information. You will see more departures in 511 and, if you decide, during the second year macro sequence. But it is essential to first develop a solid understanding of the baseline. The course is built around methods, and different macroeconomic topics play the role of applications of the methods.

Just as a commitment device (to myself), my office hours are Wednesdays from 4pm to 6pm. However, you’re also very welcome to drop me a line so we can schedule a meeting or just to stop by my office. My door is always open in case you want to go for a coffee and chat.
Class Meetings
Lectures take place on Mondays and Wednesdays from 10:30am to 11:50am in 28 HH, Room B8. Sometimes, when I cannot teach during regular times or when I need to complete a lecture, we may also need to use Fridays from 10:30am to 11:50am. I’ll let you know in advance. Sections are held as usual.

Textbooks and Suggested Reading
The required readings are *Recursive Macroeconomic Theory 2nd ed.* by Ljungqvist and Sargent (LS), and my lecture notes, available on the course web-site. They cover roughly the same material, but in somewhat different ways. You should work through the chapters assigned for each topic.

Below I also suggest some additional readings, which are useful both in acquiring a deeper understanding of the general framework and also in learning the details of the topics we discuss in class. This list will likely grow along the way, once we discover common interests.

Grading
The grade for this part of the course will be based 90% on a written, closed-book final examination and 10% on weekly problem sets. Don’t let the asymmetry in grading weights trick you. Working on the problem sets is a key step towards getting the final right. The final exam is scheduled for Friday December 10, from 1pm to 4pm, at Room B8. The score from the second half will be averaged with the score from the first half to obtain the overall grade for the course.

Road Map for the Class
We will cover seven topics in six weeks. The number of lectures assigned to each topic is approximate. Find below the required and additional suggested readings.

1) A Neo-Classical Benchmark Economy (3 lectures)
   - Planning Problem
   - Decentralization in a Competitive Equilibrium with Complete Markets

Required Reading
LS, Chapter 8
Lecture Notes

Additional Suggested Readings:

2) Real Business Cycle (1 lecture)
Required Reading
Lecture Notes

Additional Suggested Readings:

3) Asset Pricing (1 lecture)
Required Reading
LS Chapter 13
Lecture Notes

Additional Suggested Readings:

4) Neo-Classical Stochastic Growth Model (2 lectures)
Required Reading
LS Chapter 14
Lecture Notes

Additional Suggested Readings:

5) Fiscal Policy. Ramsey Taxation. (2 lectures)
Required Reading
LS, Chapters 10, 11 and 15
Lecture Notes

Additional Suggested Readings:

6) **Limited Commitment. (2 lectures)**

**Required Reading**

LS, Chapters 19 and 20

**Lecture Notes**

**Additional Suggested Readings:**


7) **Moral hazard and Private Information (1 lecture)**

**Required Reading**

LS, Chapters 15

**Lecture Notes**

**Additional Suggested Readings:**


