

# ECON 714: MACROECONOMIC THEORY II

Instructor  
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SPRING 2008

## 1 Organization

### Lectures

The class meets every Monday and Wednesday in 6228 *Social Science*: 9:30–10:45a for Section 1, and 10:55a–12:10p for Section 2.

### Office hours

My office hours are 1:30–2:30p on Wednesdays in 6442 *Social Science*. You are encouraged to make arrangements in advance if you need to meet me outside these windows.

### Homework, exams and grades

There will be two problem sets and an in-class final exam. The final exam is on Wednesday, May 7. Your grade will be determined by a weighted-average of your scores for the problem sets and exams. Each problem set carries 15% of the weight, while the final makes up for 70%.

### Main texts

There is no required textbook for this course. However, you may find the following books useful.

- Lars Ljungqvist and Thomas J. Sargent. *Recursive Macroeconomic Theory*. MIT Press, Cambridge, MA, second edition, 2004.
- Nancy L. Stokey, Robert E. Lucas, Jr., and Edward C. Prescott. *Recursive Methods in Economic Dynamics*. Harvard University Press, Cambridge, MA, 1989.

Also, I will make some essential reading materials accessible on-line.

## **2 Course Outline**

### **Module I: Consumption, risk-sharing and asset pricing**

1. Complete markets and perfect risk-sharing
2. Permanent income and life-cycle models
3. Incomplete markets and precautionary saving
4. Consumption-based asset pricing

### **Module II: Economic growth**

1. Solow model and its empirical implications
2. Ramsey-Cass-Koopmans model
3. Endogenous growth models
4. Models of human capital