

Aims and Objectives

This course builds on the methods and concepts introduced in Advanced Macroeconomics (R200) in order to analyse macroeconomic problems. The course has two main goals. Firstly, to develop students' skills at formulating and analysing recursive competitive equilibrium models that feature heterogeneity and frictions. Secondly, to introduce students to some of the issues that these benchmark models have been used to address.

Topics**1) Heterogeneity on the Production Side**

- Hopenhayn / Lucas span of control models / Melitz

2) Heterogeneity on the Household Side

- Incomplete market models (Huggett / Aiyagari / Bewley)
- Applications in international finance

3) Search and Matching Models of Unemployment

- Trading frictions: Lucas-Prescott island models
- The Diamond-Mortensen-Pissarides framework
- Extensions to basic matching model (time permitting)

4) Overlapping Generations Models

- Basic structure and applications in monetary economics

Assessment

The examination for this module will be by a 2-hour written exam.

Readings

The main textbook for this course will be:

-Miao, J. (2014), *Economic Dynamics in Discrete Time*, MIT Press.

We will supplement this with other textbook readings and general surveys depending on topic. Detailed readings will be available in the lecture course outlines.