


Teacher(s)	Oikonomou Rigas ;
Language :	English
Place of the course	Louvain-la-Neuve
Main themes	The following topics will be covered : Part I: The overlapping generations approach to capital accumulation Competitive equilibria & Optimality Policies: pensions, public debt, fiscal policy Education, altruism Part II: Infinite horizon models of economic growth Endogenous growth theory, an introduction Technological progress, the "embodiment controversy" and growth Schumpeterian models of economic growth and fluctuations
Learning outcomes	<p>At the end of this learning unit, the student is able to :</p> <p>1 The aim of this course is to teach to the students how and when to use the building blocks of modern growth theory. These are taken from two different approaches: the first one considers that agents have an infinite horizon. The second one analyzes the case of an economy in which agents have finite lives (overlapping generations models).</p>
Evaluation methods	3 Problems sets to be done in groups of 4-5 students + a final exam.
Content	<p>Main themes: This course presents an in depth analysis of the impact of heterogeneity in the macro-economy. The main framework utilized is the so called model of heterogeneous agents and wealth accumulation, basically the workhorse model in modern quantitative macroeconomics. Several applications of the theory are discussed covering recent trends in income inequality in the US and in Europe, the life cycle pattern of consumption, the cyclical behavior of aggregate hours and employment, the wealth concentration and the role of public policies such as the tax code and the pension system. In its last part this course will explore the implications of heterogeneity and incomplete markets for monetary policy.</p> <p>Aims: The aim of the course is to teach the students to apply the tools of quantitative macroeconomics with particular focus on the effects of heterogeneity. The treatment of the economic problems is rigorous and the students will be required to master the numerical methods which are utilized to solve the models presented in class. Beyond the methodological side, the content of this course is motivated by the microeconomic data and the course itself discusses several interesting economic phenomena related to household decisions and their impact on the macroeconomy.</p>
Inline resources	Slides, Problem Sets, Computer Codes and Past exams are available on Moodle.

Bibliography	<p>Main TextBook- Lars Ljungqvist and Thomas J. Sargent (2012) Recursive Macroeconomic Theory, MIT Press, 3rd Edition</p> <p>1. Dynamic Programming: Solving the Stochastic growth model through value function Iteration. Slides and Lecture Notes and the Ljungqvist-Sargent book are the main sources of reading.</p> <p>1. Models of Heterogeneous agents without aggregate risk: Theory *Aiyagari, R. 'Uninsured Idiosyncratic Risk and Aggregate Saving' The Quarterly Journal of Economics, Vol. 109, No. 3. (Aug., 1994), pp. 659-684 Huggett Mark (1993) 'The Risk-Free Rate in Heterogeneous-Agent Incomplete-Insurance Economies' Journal of Economic Dynamics and Control 17, 953- 969 Lars Ljungqvist and Thomas J. Sargent (2012) Recursive Macroeconomic Theory, MIT Press, 3rd Edition</p> <p>1. Models of Heterogeneous Agents without Aggregate Risk: Applications</p> <p>1. Wealth Distribution: *Huggett Mark (1996) 'Wealth Distribution in Life-Cycle Economies', Journal of Monetary Economics 38, 469-94 *De Nardi M-C. 'Wealth Inequality and Intergenerational Links' . Review of Economic Studies, July 2004, vol. 71, n. 3, pages 743-768 *Castaneda, A. Diaz- Jimenez, J and Rios Rull,J (2003). 'Accounting for the US Earnings and Wealth Inequality' Journal of Political Economy, 4 818-857 *Cagetti, M. de Nardi M-C. (2006) Entrepreneurship, Frictions, and Wealth Journal of Political Economy, October, vol. 114, n. 5, pages 835-870</p> <p>1. Income and Consumption Inequality. *Storesletten, Kjetil & Telmer, Christopher I. & Yaron, Amir, 2004. "Consumption and risk sharing over the life cycle," Journal of Monetary Economics, Elsevier, vol. 51(3), pages 609-633, April. Kaplan, G. and Violante, G. How Much Consumption Insurance Beyond Self-Insurance? American Economic Journal: Macroeconomics, Vol. 2(4), October 2010, 53-87 *Heathcote, J. Storesletten and Violante, G. The Macroeconomic Implications of Rising Wage Inequality in the United States, Journal of Political Economy, University of Chicago Press, vol. 118(4), pages 681-722, 08.</p> <p>1. Fiscal Policies: Taxation of Heterogeneous Households. 2. Capital and Labor Taxation. Juan Carlos Conesa and Dirk Krueger (2006). On the optimal progressivity of the income tax code. Journal of Monetary Economics, 53(7):1425-1450. *Juan Carlos Conesa, Sagiri Kitao, and Dirk Krueger. Taxing Capital? Not a Bad Idea after All! American Economic Review, 99(1):25-48, March 2009. *David Domeij and Jonathan Heathcote. On the Distributional Effects of Reducing Capital Taxes. International Economic Review, 45(2):523{554, 2004. Andres Erosa and Martin Gervais. Optimal Taxation in Life-Cycle Economies. Journal of Economic Theory, 105(2):338-369, 2002. Nezih Guner, Remzi Kaygusuz, and Gustavo Ventura (2012 a). Taxation and Household Labor Supply. Review of Economic Studies, 79(1):1-37, January Nezih Guner, Remzi Kaygusuz, and Gustavo Ventura (2012 b). Taxing women: A macroeconomic analysis. Journal of Monetary Economics, 59(1):111-128, January Davila, J., Jong J.H., Krusell, P. and Rios Rull, J.V. Constrained Efficiency in the Neoclassical Growth Model with Uninsurable Idiosyncratic shocks Econometrica.</p> <p>5. Models of Heterogeneity with Aggregate Risk. Theory and Applications</p> <p>a) Theory Krusell, P., Smith Jr., A.A., 1998. Income and Wealth Heterogeneity in the Macroeconomy, Journal of Political Economy Vol. 106, No. 5 (October 1998), pp. 867-896</p> <p>b) Welfare Costs of Business Cycles. De Santis, M., 2007, Individual Consumption Risk and the Welfare Cost of Business Cycles, American Economic Review 97(4): 1488-1505. Krusell, P., Mukoyama T., Sahin, A., and Smith A. J (2009) 'Revisiting the welfare effects of eliminating business cycles' Review of Economic Dynamics 12 (2009) 393–404 Krusell, P., Smith Jr., A.A., 1999. On the welfare effects of eliminating business cycles. Review of Economic Dynamics 2, 245–272.</p> <p>c) Hours and Labor Wedges. Chang Y and Kim S-B (2007). Heterogeneity and Aggregation: Implications for Labor-Market Fluctuations, American Economic Review, 97 (5), 1939-1956.</p>
Other infos	Written closed book exam. Ph.d students manage exercises and homeworks.
Faculty or entity in charge	ECON

Programmes containing this learning unit (UE)				
Program title	Acronym	Credits	Prerequisite	Learning outcomes
Master [120] in Economics: Econometrics	ETRI2M	5		
Master [120] in Economics: General	ECON2M	5		