

# Advanced Economic Theory

(Module: Macroeconomics)

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**Lectures:** As per the schedule circulated separately

**Google Classroom:**

**Class code:** awfwpew

**Link:** <https://classroom.google.com/c/NDI1NzE00TU1NjMz?cjc=awfwpew>

**Lecture Platform:** Zoom

**Meeting ID:** 9811252441

**Passcode:** fesau

**Link:** <https://zoom.us/j/9811252441?pwd=a1p3NjU1Nng2eVJ5dDEvWEdbk1adz09>

## Course Outline

### 1 Review of Basic Concepts

- [A1] Jean-Pascal Bénassy. *Macroeconomic Theory*. Oxford University Press, New York, 2011.
- [A2] Lars Ljungqvist and Thomas J. Sargent. *Recursive Macroeconomic Theory*. MIT Press, Cambridge, Massachusetts, third edition, 2012.
- [A3] K. J. Arrow. The Role of Securities in the Optimal Allocation of Risk-bearing. *The Review of Economic Studies*, 31(2):91–96, 04 1964.
- [A4] Jordi Galí. *Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and Its Applications Second edition*. Princeton University Press, 2015.
- [A5] Jordi Galí. The state of New Keynesian economics: A partial assessment. *Journal of Economic Perspectives*, 32(3):87–112, August 2018.

### 2 Income and wealth heterogeneity: Some empirics and early models

- [B1] Dirk Krueger, Fabrizio Perri, Luigi Pistaferri, and Giovanni L. Violante. Cross-sectional facts for macroeconomists. *Review of Economic Dynamics*, 13(1):1–14, 2010. Special issue: Cross-Sectional Facts for Macroeconomists.
- [B2] Truman Bewley. The permanent income hypothesis: A theoretical formulation. *Journal of Economic Theory*, 16(2):252–292, 1977.

- [B3] S. Rao Aiyagari. Uninsured idiosyncratic risk and aggregate saving. *The Quarterly Journal of Economics*, 109(3):659–684, 1994.
- [B4] Per Krusell and Anthony A. Smith, Jr. Income and wealth heterogeneity in the macroeconomy. *Journal of Political Economy*, 106(5):867–896, 1998.
- [B5] Jess Benhabib, Alberto Bisin, and Sheng Zhu. The wealth distribution in Bewley economies with capital income risk. *Journal of Economic Theory*, 159:489–515, 2015.

### **3 Limited asset market participation and heterogeneous agents in New Keynesian models: LAMP, HANK and TANK**

- [C1] Florin O. Bilbiie. Limited asset markets participation, monetary policy and (inverted) aggregate demand logic. *Journal of Economic Theory*, 140(1):162–196, 2008.
- [C2] Florin O. Bilbiie. The New Keynesian cross. *Journal of Monetary Economics*, 114:90–108, 2020.
- [C3] Tobias Broer, Niels-Jakob Harbo Hansen, Per Krusell, and Erik Öberg. The New Keynesian transmission mechanism: A heterogeneous-agent perspective. *The Review of Economic Studies*, 87(1):77–101, 03 2019.
- [C4] Greg Kaplan and Giovanni L. Violante. Microeconomic heterogeneity and macroeconomic shocks. *Journal of Economic Perspectives*, 32(3):167–94, August 2018.