Allievi Program, Master in Economics, and Ph.D. in Economics  
Winter 2022  

Dynamic Macroeconomics  

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Course Description  
The course presents basic dynamic macroeconomic models in several specific fields of macroeconomics: consumption and investment theory, growth theory and labor economics. The aim is to provide key methodological tools for the dynamic analysis of a broad range of macroeconomic issues, mainly based on dynamic optimization techniques. Lecture note handouts and problem sets (with answers) will be available on the web page of the course.  

Exam  
There will be a two-hour, closed-book, written exam at the end of the course.  

Course outline and reference material  

1. Dynamic consumption theory  
   ∙ Permanent income theory with rational expectations  
   ∙ Empirical issues and puzzles  
   ∙ The role of uncertainty: precautionary savings  
   ∙ Intertemporal consumption and portfolio allocation  

General references:  
Romer (2012) *Advanced Macroeconomics*, fourth edition, ch. 8  

Specific references:  
Deaton A. (1992) *Understanding consumption*, especially ch. 3, 4  
Attanasio O. (1999) "Consumption demand", in *Handbook of Macroeconomics*, vol. 1B, ch. 11  
Campbell J. (1999) "Asset prices, consumption, and the business cycle", in *Handbook of Macroeconomics*, vol. 1C, ch. 19  
Carroll C. (2001) "A theory of the consumption function, with and without liquidity constraints", *Journal of Economic Perspectives* ("graduate students version" NBER wp 8387)  
Angeletos et al. (2001) "The hyperbolic consumption model: calibration, simulation and empirical evaluation", *Journal of Economic Perspectives*  
Attanasio O. and G. Weber (2010) "Consumption and saving: models of intertemporal allocation and their implications for public policy", *Journal of Economic Literature*  
Jappelli T. and L. Pistaferri (2010) "The consumption response to income changes", *Annual Reviews of Economics*  

2. Dynamic investment models  
   ∙ Dynamic optimization in continuous time  
   ∙ Adjustment costs and Tobin's forward-looking "q"  
   ∙ Investment dynamics, interest rates, productivity and wages in partial equilibrium
3. Economic growth in dynamic general equilibrium

- Balanced growth, steady state and optimal convergence
- Decentralization of production and investment decisions
- Endogenous growth and market imperfections.

4. Flow dynamics in the labor market

- Participation externalities in the labor market
- Features of search models of the labor market
- Job matching and unemployment dynamics