

**MACROECONOMICS II**  
**ECONOMICS EC9604**  
**Department of Economics**  
**Western University**

**General Information:**

**January 2025**

**Instructor:** Sergio Ocampo  
**Office:** SSC 4056  
**Phone:** 519-661-2111  
**E-mail:** socampod@uwo.ca  
**Office hours:** By appointment  
**Classroom Meeting Time(s) & Location(s):** Tuesday, Thursday 10:00-11:30am, SSC 4161  
**Course Website:** <https://westernu.brightspace.com/d2l/login>  
**Graduate Inquiries:** Room 4076 SSC or [econ-gradcoordinator@uwo.ca](mailto:econ-gradcoordinator@uwo.ca) or 519-661-3505

**Course Description:**

The course deals with topics and methods covered by modern macroeconomic theory. The objective of the course is to have students to be proficient with the tools of stochastic dynamic programming, distributional macroeconomics, heterogeneous households and heterogeneous firm models, search models, task assignment models, and imperfect competition models. Students are expected to read the class notes and the related papers, as well as finishing all problem sets. Attendance to class is essential.

**Course Learning Outcomes:**

The learning outcomes are knowledge of the basics of stochastic processes and how they relate to stochastic dynamic problems. The students will be able to use this theory for applications to macroeconomic fluctuations, distributions in the economy (as the distribution of wealth, income, or firms).

**Course Materials:**

There is no textbook for the course but each lecture will follow specific readings from textbooks and academic papers. The papers are all provided by the library and textbooks are not mandatory. Lecture notes will complement the materials for the course.

**Methods of Evaluation:**

There will be weekly problem sets and two exams. Each exam will be 35 percent of the final grade and the problem sets will be equally weighted and account for the remaining 30 percent of the course grade. All problem sets must be typed and can be done in groups of up to 2 people.

## Topics and Reading List:

### Week 1: Preliminaries

Tuesday, Jan 14<sup>th</sup>: Distributional Macroeconomics

- Why do we need stochastic processes
- [https://benjaminmoll.com/wp-content/uploads/2019/07/DM\\_long.pdf](https://benjaminmoll.com/wp-content/uploads/2019/07/DM_long.pdf)
- [http://www.tomsargent.com/research/Macro\\_after\\_Lucas.pdf](http://www.tomsargent.com/research/Macro_after_Lucas.pdf)

Thursday, Jan 16<sup>th</sup>: Markov Processes and Convergence

- Math Camp Notes, Sections 20 and 24
- SLP, Chapters 8, 11 and 12
- L&S, Sections 2.2 and 2.3

### Week 2: Recursive Competitive Equilibrium

Tuesday, Jan 21<sup>st</sup>: Stochastic Dynamic Programming

- Lecture notes
- SLP Chapter 9

Thursday, Jan 23<sup>rd</sup>: Recursive Competitive Equilibrium and Stationary Equilibrium

- The neoclassical growth model and competitive equilibrium
- The steady state in the neoclassical growth model
- The stochastic neoclassical growth model and recursive competitive equilibrium
- Stationarity in the NGM
- The Lucas Tree economy

### Week 3: Heterogeneous Agent Models and wealth distribution

Tuesday, Jan 28<sup>th</sup>: The Bewley, Imrohoroglu, Hugget, Aiyagari Model

- Hugget (1993, JEDC), Aiyagari (1994, QJE), Krussel & Smith (1998, JPE)

Thursday, Jan 30<sup>th</sup>: Wealth Distribution

- Stachurski & Akira Toda (2019, JET), Stachurski & Akira Toda (2020, JET)
- Benhabib & Bisin (2018, JEL)
- Gabaix (2016, JEP)

### Week 4: Heterogeneous Returns

Tuesday, Feb 4<sup>th</sup>: Return Heterogeneity and Production Risk

- Angeletos (2007, RED)

Thursday, Feb 6<sup>st</sup>: Return Heterogeneity and Taxation

- Guvenen, Kambourov, Kuruscu, Ocampo (2024)

### Week 5: Review + Midterm (February 11-13)

### [Reading Week: February 18-20]

## **Week 6: Imperfect Competition**

Tuesday, Feb 25<sup>th</sup>: Monopolistic Competition

- Dixit & Stiglitz (1977, AER)
- Dhingra & Marrow (2019, JPE)
- Albrecht, Phelan & Pretnar (2023)

Thursday, Feb 27<sup>th</sup>: Oligopolistic Competition

- Atkeson & Burstein (2008, AER)
- Edmond, Midrigan & Xu (2015, AER)
- Berger, Herkenhoff & Mongey (2022, AER)

## **Week 7: Competition, Productivity and Misallocation**

Tuesday, Mar 4<sup>th</sup>: Measuring Misallocation

- Hsieh & Klenow (2009, QJE)
- Hopenhayn (2014, ARE)
- Restuccia Rogerson (Literature)

Thursday, Mar 6<sup>th</sup>: Misallocation and Market Power

- Edmond, Midrigan, Xu (2024, JPE)
- Baqaee, Farhi & Sangani (2023, REStud)
- Hubmer & Restrepo (2023)

## **Week 8: One Sided Search**

Tuesday, Mar 11<sup>th</sup>: McCall Model

- McCall (1970)

Thursday, Mar 13<sup>th</sup>: Ben Porath Model

- Ben Porath (1967)

## **Week 9: Two Sided Search**

Tuesday, Mar 18<sup>th</sup>: DMP Model

- Wright Rogerson Shimer (2005, JEL)

Thursday, Mar 20<sup>th</sup>: Sequential Bargaining

- Cahuc, Postel Vinay, Robin (ECMA)

## **Week 11: Wage Posting Model**

Tuesday, Mar 25<sup>th</sup>: Burdett-Mortensen Model

- Burdett & Mortensen (1998, IER)

Thursday, Mar 27<sup>th</sup>: Extensions

- Engbom & Moser (2022, AER)
- Morchio & Moser (2023)

## **Week 12: Task-Based Models**

Tuesday, Apr 1<sup>st</sup>: Models of Wage Inequality

- Acemoglu & Autor (2011)

Thursday, Apr 3<sup>rd</sup>: Automation

- Acemoglu & Restrepo (2018, AER, 2022, ECMA)
- Moll, Rachele, Restrepo (2022, ECMA)

## **Department Policies**

### **Policy on Academic Offences:**

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following web site:

[http://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/scholastic\\_discipline\\_grad.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_grad.pdf)

All required papers may be subject to submission for textual similarity review to the commercial plagiarism-detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between the University of Western Ontario and Turnitin.com (<http://www.turnitin.com>).

### **Health and Wellness Services**

Students who are in emotional/mental distress should refer to

Mental Health@Western <http://www.uwo.ca/uwocom/mentalhealth/> for a complete list of options about how to obtain help.

### **Accessible Education Western (AEW)**

Western is committed to achieving barrier-free accessibility for all its members, including graduate students. As part of this commitment, Western provides a variety of services devoted to promoting, advocating, and accommodating persons with disabilities in their respective Graduate program.

Graduate students with disabilities (for example, chronic illnesses, mental health conditions, mobility impairments) are strongly encouraged to register with Accessible Education Western (AEW), a confidential service designed to support graduate and undergraduate students through their academic program. With the appropriate documentation, the student will work with both AEW and their graduate programs (normally their Graduate Chair and/or Course instructor) to ensure that appropriate academic accommodations to program requirements are arranged. These accommodations include individual counselling, alternative formatted literature, accessible campus transportation, learning strategy instruction, writing exams and assistive technology instruction.

### **Statement on Gender-Based and Sexual Violence**

Western is committed to reducing incidents of gender-based and sexual violence (GBSV) and providing compassionate support to anyone who is going through or has gone through these traumatic events. If you are experiencing or have experienced GBSV (either recently or in the past), you will find information about support services for survivors, including emergency contacts at the following website:

[https://www.uwo.ca/health/student\\_support/survivor\\_support/get-help.html](https://www.uwo.ca/health/student_support/survivor_support/get-help.html) To connect with a case manager or set up an appointment, please contact [support@uwo.ca](mailto:support@uwo.ca)