

AECO 701

Spring 2025

TTh: 9:00 - 10:20am

Humanities 022

Ph.D. Macro II

Professor Benjamin S. Griffy

University at Albany, SUNY

1 Overview and Objectives

This course is focused on building foundational tools to approach macroeconomic modeling. The goal of this course is to extend the analytical approach to modeling the macroeconomy that was begun in the fall semester course (Economics 601, taught by Professor Masters).

2 Contact Information

- Name: Ben Griffy
- I can be reached via email: bgriffy@albany.edu
- I will be holding office hours on Wednesday from 1:30-3:30pm. I don't anticipate a need to change to virtual, but I will let you know if that happens.
- More generally, feel free to stop by my office if I am in. I may not be able to meet at that moment, but if I'm not busy I will try to help.
- Teaching Assistant: Saheli Basu
- She can be reached via email: sbasu2@albany.edu
- She will be holding office hours Monday from 3:00-5:00pm.

2.1 Online Viewing

In the event of moving the course online, I will post a Zoom link on Blackboard. I will rarely use Blackboard, but feel more comfortable distributing the Zoom link there than on my website.

3 Course Requirements

3.1 Course Materials

- There are two textbooks that we will use in this class:

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Note: These texts are NOT required, but may occasionally provide useful references:

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- [Sargent and Stachurski Quant-Econ](#)
- I will update this list as needed in the class.

For programming languages, you may choose whatever works best for you. I would suggest Matlab, Julia, or Python, because I have experience with dynamic programming in these languages and may be able to help. For programming languages, it **DOES** matter what version you install, and what repository you install from. I suggest the following (in rough order of usefulness for macro):

- Matlab: Whatever is current.
- Julia: Current version.
- Python: Anaconda.
- R: RStudio.
- Stata: MP (this is more expensive, so trade-offs)

You will be required to turn in all (non- \LaTeX) code used to produce assignments, and required to turn in all assignments in \LaTeX . To assist with learning \LaTeX , I will publish all documents I produce in the course both as PDFs and in \LaTeX .

My intent is for all homework to be turned in on shared storage on the campus cluster. I'm working on getting everyone access to the class directory, but look at the handout on how to use ssh and access the campus cluster.

3.2 Course Prerequisites

- Have finished AEEO 601.

4 Grading

- Homework and Discussion: 30%. Homework must be turned in using \LaTeX
- Midterm: 30%
- Final: 40%

5 Tentative Course Outline

Preliminaries

Date	Description
Week 1 (Jan. 20th):	
• Topics:	<ul style="list-style-type: none">• Intro to Macro Data• Old Keynesian Model• Graphical intuition
• Readings:	<ul style="list-style-type: none">• None.
• Assignments:	<ul style="list-style-type: none">• Install programming languages and L^AT_EX• HW1.
Week 2 (Jan. 27th - Jan. 31st):	
• Topics:	<ul style="list-style-type: none">• Two-period consumption-savings model• Graphical intuition
• Readings:	<ul style="list-style-type: none">• None.
• Assignments:	<ul style="list-style-type: none">• Install programming languages and L^AT_EX• HW1.
Week 3 (Feb. 3rd - Feb. 7th):	
• Topics:	<ul style="list-style-type: none">• Stochastic processes
• Readings:	<ul style="list-style-type: none">• ?, Ch. 2
• Assignments:	<ul style="list-style-type: none">• HW2.
Week 4 (Feb. 10th - Feb. 14th):	
• Topics:	<ul style="list-style-type: none">• Linear difference equations• Lucas critique
• Readings:	<ul style="list-style-type: none">• ?, Ch. 5• ?, Ch. 7
• Assignments:	<ul style="list-style-type: none">• TBD.

Dynamic Programming

Date	Description
Week 5 (Feb. 17th - Feb 21st):	
• Topics:	• Dynamic programming
	• Permanent income hypothesis
	• Consumption smoothing
• Readings:	• ?, Chs. 3, 4, 5
• Assignments:	• TBD.
Week 6 (Feb. 24th - Feb. 28th):	
• Topics:	• Asset pricing
	• Lucas Tree Model
• Readings:	• ?, Ch. 8
• Assignments:	• TBD.
• Notes:	• I am out of town this week. Will discuss make-up lectures in class.
Week 7 (Mar. 3rd - Mar. 7th):	
• Topics:	• Complete markets
	• Stochastic neoclassical growth model
• Readings:	• ?, Ch. 8
• Assignments:	• TBD.
Week 8 (Mar. 10th - Mar. 14th):	
• Topics:	• Solution method: guess and verify
• Readings:	• ?, Ch. 4
• Assignments:	• TBD.
• Notes:	• Midterm on Thursday!

Real Business Cycle Model

Date	Description
Week 9 (Mar. 17th - Mar. 21st):	
• Note:	• Spring Break, no classes.
Week 10 (Mar. 24th - Mar. 28th):	
• Topics:	• The Real Business Cycle Model
	• Solution method: log-linearization
• Readings:	• ?, Ch. 12
• Assignments:	• TBD.
Week 11 (Mar. 31st - Apr. 4th):	
• Topics:	• Solution method: value function iteration
	• Calibration
	• RBC Extensions
• Readings:	• ?, Ch. 4
	• ?
• Assignments:	• TBD.

Extensions

Date	Description
Week 12 (Apr. 7th - Apr. 11th):	
• Topics:	• Incomplete markets • Permanent and transitory income shocks • Huggett-Aiyagari-Bewley-Imrohoroglu Model • Solving (stationary) heterogeneous agent models
• Readings:	• ?, Chs. 16, 17 • ? • ?
• Assignments:	• ? • TBD.
Week 13 (Apr. 14th - Apr. 18th):	
• Topics:	• Incomplete markets • Permanent and transitory income shocks • Huggett-Aiyagari-Bewley-Imrohoroglu Model • Solving (stationary) heterogeneous agent models
• Readings:	• ?, Chs. 16, 17 • ? • ?
• Assignments:	• ? • TBD.
• Notes:	• I will be out of town on Thursday. Class is canceled.

Extensions

Date	Description
Week 14 (Apr. 21st - Apr. 25th):	
• Topics:	• Aggregate shocks in heterogeneous agent economies: Krussell-Smith
	• Equilibrium unemployment: the Diamond-Mortensen-Pissarides model
• Readings:	• ?
• Assignments:	• TBD.
Week 15 (Apr. 28th - May 2nd):	
• Topics:	• Efficiency and Directed Search
	• Labor market fluctuations
• Readings:	• ?
• Assignments:	• TBD.

Conclusion

Date	Description
Week 16 (May 5th - May 9th):	
• Topics:	• Review for Final
• Readings:	• TBD.
• Assignments:	• TBD.
• Notes:	• No class on Thursday.

Final Exam (5/10):
Weds., May 14th 1:00pm to 3:00pm in the same room as the lecture.
