

Reading Group on Heterogeneous Agents in Macroeconomics

Academic year 2020/21

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The reading group aims at introducing students to general equilibrium models with incomplete markets and heterogeneous agents. Further, it aims at familiarizing them with numerical techniques adopted for the solution of those models. Specifically, we will deal with the projection method; learn how to deal with inequality constraints, learn how to approximate distributions of agents.

Student evaluation

Based on an assignment, to be presented by students in lecture 5.

Outline

Lecture 1: empirical evidence about the evolution of inequality in income and wealth in the US in the last few decades. The benchmark Aiyagari (1994) model will be introduced, and discussed.

Lecture 2: numerical solution of the consumer problem in partial equilibrium. Heterogeneous firms in general equilibrium. A closed-economy version of the heterogeneous-firms model by Melitz (2003).

Lecture 3: additional aspects concerning the numerical solution of the consumer problem.

Lecture 4: numerical solution of the Aiyagari (1994) model

Lecture 5: students will present the solution to their numerical assignments

Main references

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