Department of Economics
Iowa State University
Spring 2009
Professor Bhattacharya

Suggested Reading List for ECON 602

1. **Review of Discrete-Time Dynamical Systems**

   first-order, second-order (linear), non-linear, linearization techniques, brief introduction to complex dynamics, cycles, and chaos


2. **Overlapping Generations Model – Pure Exchange**

   Lessons from the simple two-period life-cycle model, demographic structure of OLG models, discussion of preferences, inter and intra-generational trade, CE = PO?, optimality, Samuelson and Classical case economies.

   * T. Sargent *Dynamic Macroeconomic Theory*, Chapter 7
   * C. Azariadis Chapters 11.1, 12

3. **Overlapping Generations Model – Pure Exchange with Money**

   OLG models with money: steady state, indeterminacy, monetary equilibria, valuation of money, dynamics, cycles

   * Sargent *DMT* Chapter 7
4. **Overlapping generations models with production (and money)**

Setup of the Diamond (1965) model, review of production functions, factor pricing, existence and multiplicity of equilibria in the Diamond model; steady states, stability analysis, comparative statics;


5. **Policy experiments in the overlapping generations model with production**

Policy experiments in the Diamond model: social security, public debt; optimal fiscal policy; optimal labor and capital tax mix; implementability constraints; time consistency and commitment;


6. **Endogenous growth**

From exogenous to endogenous growth; notions of technical progress, balanced growth, human capital accumulation, increasing returns, learning by doing, technological spillovers, poverty traps; coordination failures

* Ljungvist and Sargent, Chapter on Growth

7. **Models of Financial Intermediation**

8. Real Business Cycles


9. Credit Rationing and Credit Markets


10. Income Distribution


11. Political Economy

The median voter paradigm; tax rates, old versus young; social security
