Advanced micro-macro: Dynamic Games and Contracts
Part I (DG, David Levine)

Part II
Recursive Contracts: Theory and Applications
Ramon Marimon∗

This second part of the course on Dynamic Games and Contracts provides a comprehensive introduction to “Recursive Contract” theory and some of its applications, mostly in macroeconomics. The course is self-contained, but familiarity with basic maximization theory (Lagrange saddle-points, Bellman equations) and general equilibrium theory (Complete vs. incomplete markets, Nash equilibrium) will be assumed. Due to time limitations, the course will not cover computational aspects, but students with computational skills (matlab, …) will be encouraged to solve basic models.

Syllabus


Kehoe, Timothy and David Levine. 2001. “Incomplete markets versus debt

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constrained markets,” *Econometrica* 69, 575–598.


2. **Risk sharing, social insurance, and redistribution with limited enforcement.**


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* Main readings are marked with *. 
3. **Asset Prices, lending and firm dynamics, and sovereign debt**


5. **Endogenous threats (3rd generation contracts) and applications: Hold-ups, asset ownership, and on-the-job search**


