Advanced Macroeconomics Course:
Recursive Contracts: Theory, Applications and Beyond

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This is a course for second year and more advanced researchers or post-docs in economics. The course is divided in two parts. The first part is the main part of the course and goes in some detail into “Recursive Contract” theory and a few of its applications. The second part develops few additional related topics, the extent that will be covered will depend on time and on participants interest.

All students are expected to actively participate and, possibly, give a short presentation of one paper (from the reading list or related). For students taking the course for credit, this will be based on a mid-term exercise (February 26), a final take-home exercise and - on a voluntary basis - a term paper.

Syllabus

Part I. Theory and Applications

1. Recursive Contracts: The basic theory with exogenous constraints (1st generation)


* The course starts on Thursday January 21, same hour (no class on January 22). Participants in the course must register to the MWP Moodle (if you do not have it, request an username to Ognjen.Aleksic@EUI.eu ) and then they can sign up for appointments during my office hours; usually the same day of the class.
2. **Risk sharing, social insurance, and distribution of consumption with limited enforcement.**


3. **Asset Prices, lending and firm dynamics.**

4. Dynamic contracts with private information


5. Labor contracts, human capital accumulation. Non-exclusive participation constraints. (2nd generation)


Marimon, Ramon and Vincenzo Quadrini. 2008. “Competition, human capital and income inequality with limited commitment”

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


**Part II. Beyond**

7. **Contracts, expectations and self-confirming equilibrium**


8. **Limited commitment and liquidity**


9. **Understanding contracts, expectations, competition and trust in macroeconomics: Arrow-Debreu, Ayagari-Bewley, matches and holdups, competition for promises, Hayek.**