Topics in Macroeconomics – Fall 2013

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This course focuses on applications of dynamic programming techniques to incentive problems, both for the design of policies, their credibility, as well as characterizing equilibrium when policies themselves are endogenous. For simplicity most examples will be of fiscal policy (we will cover optimal to positive taxation).

As a prerequisite the student must be familiarized with dynamic programming as covered by the first twelve chapters in Ljungqvist L. and T. Sargent “Recursive Macroeconomic Theory” (2004) MIT Press (in particular 3, 4, 6.1-6.4, 8.1-8.9, and 12).

Course will have 20 hours of lectures September 23 to 27.


DAY 1 Optimal taxation. Self insurance.

LS chapter 15 and 16

DAY 2 Social insurance with incentive problems. Dynamic contracts.

LS chapters 19 and 20
DAY 3 Optimal unemployment insurance. Redistribution.

LS chapter 21

DAY 4 Credible government policies. Fiscal and monetary.

LS chapter 22
