

Name of subject:

ECONOMICS II

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Code: OB

Term: Year 1, Semester 2

ECTS Credits: 15

Working language: English

Instructors

Nezih Guner, Esther Hauk

Objectives and Contextualization

This module is the second (and last) part of the core in modern microeconomics and macroeconomics. The topics seen here constitute the foundation of most advanced models in microeconomics and macroeconomics. The section on microeconomics formally demonstrates, through advanced mathematical techniques, the existence of a general equilibrium and its properties, discussing the fundamental theorems of welfare economics. The course also discusses cases where classical assumptions fail and its consequences. The section on macroeconomics studies mathematical models of general equilibrium under uncertainty and their implications for asset evaluation. The module also provides the student with dynamic programming techniques; these techniques are necessary tools for solving dynamic models.

Skills

CB6	To acquire the knowledge that provides the basis for originality in developing and/or applying ideas, often in a research context
CB9	The students can communicate their conclusions to both specialists and non-specialists in a clear and unambiguous way
CB10	Students must have the learning skills necessary to continue studying in a way that is, mostly, self-directed and autonomous

Learning Outcomes

Specific:

E01	Ability to articulate the fundamentals of economic theory analytically, deriving them with mathematical reasoning
E01.06	To understand the neoclassical assumptions and describe their implications for the market and for economic aggregates
E01.07	To distinguish between partial and general equilibrium models
E04	To analyze a particular economic problem using advanced analytical tools
E04.04	To frame a dynamic economic question in a mathematical model of general

	equilibrium and derive and understand the main implications and conclusions
E06	To provide policy recommendations both at the micro and macro levels
E06.02	To provide fundamental recommendations by means of general equilibrium models

Activities

Type	Hours
Directed	112.5
Supervised	75
Autonomous	187.5

Methodology

- Theory classes
- Practice classes
- Learning based on problem solving
- Tutorials
- Personal study
- Study groups
- Textbook reading
- Paper reading

Evaluation

Final Exam	80%
Class attendance and active participation	10%
Problem sets and assignments	10%

Contents

Macroeconomics II

1. Life-Cycle Permanent-Income Framework
2. Competitive general equilibrium under uncertainty and the valuation of contingent claims
3. Dynamic Programming under Certainty
4. Numerical Methods for DP problems
5. Dynamic Programming under Uncertainty

Microeconomics II

6. Introduction to General Equilibrium
7. Equilibrium and its Basic Welfare Properties
8. The Positive Theory of Equilibrium
9. The Core and Equilibria
10. Market Power
11. Adverse Selection, Signaling and Screening
12. The Principal Agent Problem

Bibliography

1. Recursive Methods in Economic Dynamics by Stokey, Lucas, with Prescott (SLP), Harvard University Press (1989).
2. Recursive Macroeconomic Theory by Lars Ljungqvist and Thomas Sargent (LS), MIT Press (2004).
3. Mas-Colell, A, M. Whinston and J. Green "Microeconomic Theory", Oxford University Press, 1995.