

Economics 210Ba
Winter 2002

Professor Marjorie Flavin

lectures: Tuesday and Thursday, 9:35-10:55, room 300

office: 216

office hours:

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Textbooks:

Angus Deaton, Understanding Consumption, Oxford University Press, 1992

Blanchard and Fischer, Lectures in Macroeconomics, MIT Press, 1989

I assume that you are familiar with the Ramsey model and its implications for the consumption/saving decision under certainty. If you are not familiar with the Ramsey model, please review the material on pages 37-75 in Blanchard and Fischer.

Theoretical Models: Consumption, interest rates, and asset prices

Jan 8: The consumption/saving decision under uncertainty:
the Lucas asset pricing model

Lucas (1978), "Asset Prices in an Exchange Economy," Econometrica, 46, 6 (Dec), 1426-1445.

Blanchard and Fischer, pp 279-291 and 510-512

Jan 10: the Lucas asset pricing model, continued

Jan 15: the Lucas asset pricing model, continued

Jan 17: Deaton, Chapter 1

Jan 22: Risk Aversion and Intertemporal Substitution

Kreps and Porteus, 1978, "Temporal Resolution of Uncertainty and Dynamic Choice Theory", Econometrica, 46, 185-200.

Epstein and Zin, 1989, "Substitution, Risk Aversion and the Temporal Behavior of Consumption and Asset Returns: A Theoretical Framework", Econometrica, 57, 937-69.

Epstein and Zin, 1991, "Substitution, Risk Aversion and the Temporal Behavior of Consumption and Asset Returns: An Empirical Analysis", Journal of Political Economy, 99, 263-86.

SKIM

Feb 7: Grossman, Sanford J., and Laroque, Guy (1990). "Asset Pricing and Optimal Portfolio Choice in the Presence of Illiquid Durable Consumption Goods", Econometrica, 58, (1) pp 25-51.

Caballero, Ricardo J. (1993). "Durable Goods: An Explanation for Their Slow Adjustment", JPE, 101 (Q), pp 109-17.

✓ Flavin, Marjorie (2001) "Owner-Occupied Housing in the Presence of Adjustment Costs: Implications for Asset Pricing and Nondurable Consumption".

Final exam: to be negotiated