**Class 1: Tuesday, August 23:**
1. Discussion of the course structure and requirements
2. Chamberlain and Wilson (2000), deterministic case (or LS Chapter 16, pp.545-554)
   (can be downloaded from Science Direct: link to the paper )

**Class 2: Thursday, August 25:**
1.Chamberlain and Wilson (2000), stochastic case (much simpler in LS Chapter 16, pp.554-560)
2. Tools: Stochastic dynamic programming (SLP Chapter 9)
   Martingale convergence theorem (those who want to learn more about martingales can read the following notes borrowed from the website of a Rutger's math course)

**Class 3: Tuesday, August 30:**
1. More on wealth dynamics in Chamberlain and Wilson (2000)
   characterization of the policy functions
2. Tools: Ergodic sets and existence of unique invariant distribution

**Class 4: Thursday, September 1:**
Hugget (1993) (not available online, but here is the pdf copy of the paper)
setup, equilibrium concept and existence of endogenous upper bound on wealth

**Class 5: Tuesday, September 6:**
1. Continue Hugget (1993)
2. Tools: existence of unique invariant distribution
   SLP, Chapters 8, 11 and 12 (main result - Theorem 12.12)
   Alternatively, read Hopenhayn and Prescott (1992) (available on Jstor: link to the paper)

**Class 6: Thursday, September 8:**
1. Finish Hugget (1993)
   calibration and results
2. Tools: Approximating AR(1) process with discrete Markov chain
   more technical details in Tauchen (1986) paper in *Economic Letters*
   (not available online, the pdf copy is here)
   Your first part of the numerical homework will be to write a code implementing this algorithm

**The weekend reading list:**
1. Aiyagari (1994) (available on Jstor: link to the paper)
   This paper adds production to Hugget's (1993) paper
2. Hugget (1996) (available on Science Direct: link to the paper)
   This paper adds more realistic features into Aiyagari's framework and analyzes whether the model can reproduce the wealth distribution observed in the data.
3. Diaz-Gimenez et al. (1997) (available on Minneapolis Fed's website: link to the paper)
   This paper lists a lot of useful facts about the distribution of income and wealth in the US
4. Quadrini and Rios-Rull (1997) (available on Minneapolis Fed's website: link to the paper)

**Class 7: Tuesday, Spetember 13:**
1. Some details about Aiyagari (1994) paper
2. Summary of papers (2-4) above:
   - why do we want to match the wealth distribution observed in the data?
   - simple models *aka* Hugget and Aiyagari cannot produce sufficiently heavy tails in the wealth distribution
   - potential directions for improvement:
     -to make the rich save in the assets with higher returns
       (occupational choice models, limited participation in the stcock market, etc.);
     -to make the poor save less
       (guaranteed minimal consumption, differences in time discount factors, etc.);
     -something else?
3. Introduction into the occupational choice models.

**Class 8: Thursday, September 15:**
Occupational choice models: the role of the borrowing constraints
Tools: Uniqueness of the wealth cutoff level and wealth dynamics (no uncertainty)
   in dicrete time - Appendix of Hopenhayn and Vereshchagina (2004), link to the paper
   in continuous time - Buera (2004), link to the paper

**The weekend reading list:**

1. Cagetti and De Nardi (2005), link to the paper
   The most recent survey of the models trying to match the distribution of wealth :-)
   And some ideas about what to do with successful models
   (I haven't seen this paper before)
2. Castaneda et al (2003), link to the paper
   This paper manages to match the wealth distribution without adding any additional "features".
   Instead they carefully pick up the process for the income shock as well as the tax scheme.
3. Quadrini (1999), link to the paper
   This paper summarizes some useful empirical facts about entrepreneurship, lays out a pretty general model, calibrates it and shows that it can account for heavy tail(s) of the wealth distribution observed in the data.
4. Read the introductions of the papers listed under "4. Other interesting applications" in the class schedule for next Tuesday. We will briefly speak about these paper in class,
   and then you could read more details (if you are interested) on your own.
5. Look at the suggested topics for the class on Tuesday, September 27 and let me know which of them you'd prefer to discuss in class (emails are appreciated).

**Class 9: Tuesday, September 20:**

1. Finish the discussion of a stylized occupational choice model based on borrowing constraints
2. Occupational choice models: the role of entrepreneurial risk
   Benchmark papers: Kihlstrom and Laffont (1979), available on Jstor: link to the paper
   Cressi (2000), available on Science Direct: link to the paper
3. Applications to wealth distribution: Quadrini (1999), link to the paper (Quadrini's webpage)
   Bohacek (2003), link to the paper (Bohacek's webpage)
   Cagetti and DeNardi (2004), link to the paper (Minneapolis Fed)
4. Other interesting applications: Chari, Golosov, Tsyvinski (2004), link to the paper (Golosov's webpage)
   Bhattacharya and Ravikumar (2001), available on Jstor: link to the paper
   Hopenhayn and Vereshchagina (2004), link to the paper (my website)
   Bohacek and Zubricky (2005), grant proposal, link here

**Class 10: Thursday, September 22:** (very preliminary)
Topic: Aggregate dynamics in incomplete market models
Krusell and Smith (1998), available on Jstor: link to the paper
Angeletos and Calvet (2005), available on Angeletos' webpage: link to the paper

**Class 11: Tuesday, September 27:** (very preliminary)
One of three following topics:

1. Market incompleteness versus Debt Constraints:
   Kehoe and Levine (2001), available on Jstor: link to the paper
   Levine and Zame (2002), available on Jstor: link to the paper
   Krueger and Perri (2002), available on Perri's webpage: link to the paper
   Cordoba (2004), available on Cordoba's webpage: link to the paper
2. Explaining equity premium puzzle in the incomplete market models:
   e.g. Gollier (2001), available on Jstor: link to the paper
3. Credit constraints as a mean of propagation aggregate shocks:
   Kiyotaki and Moore (1997), available on Jstor: link to the paper
   Kocherlakota (2000), available on Minnapolis Fed's webpage: link to the paper
   Cordoba (2004), available on Cordoba's webpage: link to the paper

**Classes 12 - 22: Thursday, September 29 - Thursday, November 3:**
information and commitment problems (leading to endogenously incomplete markets)

**Classes 23 - 30: Tuesday, November 8 - Thursday, December 8:**
students' presentations