

Ec741b
Fall 2017
Christophe Chamley

Assignment 2

(due Wednesday, Nov 8, 8am)

1. (a) Download the notes on "aggregate activity and information". From the last paragraph, expand the model in that section to introduce the mean of θ .
 - (b) How is it possible to introduce an effect of capital, without formal capital in the model, that could create an asymmetry between the lengths of recessions and booms?
 - (c) Expand on the slides that you had previously prepared, or construct new slides, that focus on the theoretical issues that are related to delays in the FST-M model. More specifically, how can delays affect the properties of the model in comparison to the model without delay that we have studied in class?
2. Prepare slides on the model of Allen and Gale on financial contagion (JPE, 2000).