

Topics in Macroeconomics VI: Topics in Macrofinance I

2020-21 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Macroeconomics VI
 - Total credits: 3 ECTS
 - Type of subject: Optative
 - Department of Economics and Business
 - Teaching team; Victoria Vanasco and Vladimir Asriyan
- Code: 32085
Workload: 75 hours
Term: 3rd

2. Teaching guide

• Introduction

This course will cover selected topics at the intersection of macroeconomics and finance. We will primarily focus on studying the implications of various forms of imperfections, such as information asymmetries, for the functioning of financial markets, and what these imply for our understanding of business cycles and financial crises. We will also explore recent research on the role of government policy in such environments.

It is recommended (although not mandatory), that students who register for this course also register for Topics in Macroeconomics VII.

• Contents

The course will mostly be theoretical and focus on the most recent research on the topics outlined above.

• Assessment and Grading System

The students will be graded solely based on the Final Exam.

• Requirements for enrollment

The course will draw heavily on theoretical models. Successful completion of the course thus requires familiarity with (i.e, the ability to understand and solve) micro- and macroeconomic models . It is intended for MRes students, but MSc in Economics and Finance and other Barcelona GSE Master students can also sign up subject to instructor approval. In case there are space constraints, priority will be given to MRes students, MSc in Economics and Finance students, and other Barcelona GSE students, in that order.

3. Programme of activities

Below is the tentative reading list for the course, but this list is subject to change before the class starts and during the course as well. Starred papers are required reading.

Financial intermediation, information frictions, and the macroeconomy

*Stiglitz and Weiss, 1986, *Credit Rationing in Markets with Imperfect Information*, American Economic Review.

*Holmstrom and Tirole, 1997, *Financial Intermediation, Loanable Funds, and The Real Sector*, the Quarterly Journal of Economics.

*Farhi and Tirole, 2012, *Collective Moral Hazard, Maturity Mismatch and Systemic Bailouts*, American Economic Review.

*Dang, Gorton, Holmstrom, Ordóñez, 2017, *Banks as Secret Keepers*, American Economic Review.

*Vanasco 2017, *The Downside of Asset Screening for Market Liquidity*, the Journal of Finance.

Caramp N, 2018, *Sowing the Seeds of Financial Crises: Endogenous Asset Creation and Adverse Selection*, Working Paper.

Neuhann, D., 2019. Inefficient Asset Price Booms. Working Paper, Available at SSRN 3095730.

Asymmetric information, the allocation of capital, and the business cycle

*Kurlat, 2013, *Lemons Markets and the Transmission of Aggregate Shocks*, American Economic Review.

*Asriyan, Fuchs and Green, 2019, *Liquidity Sentiments*, American Economic Review.

Eisfeldt, 2004, *Endogenous Liquidity in Asset Markets*, the Journal of Finance.

Eisfeldt AL, Rampini AA, 2006, *Capital reallocation and liquidity*. Journal of monetary Economics.

Fuchs, Green and Papanikolaou, 2016, *Adverse Selection, Slow-Moving Capital and Misallocation*, Journal of Financial Economics.

Bigio, 2015, *Endogenous Liquidity and the Business Cycle*, American Economic Review.

Balance sheet effects and macroeconomic risk-sharing

*Krishnamurthy, 2003, *Collateral Constraints and the Amplification Mechanism*, the Journal of Economic Theory.

*Asriyan, 2020, *Balance Sheet Channel with Information-Trading Frictions in Secondary Markets*, the Review of Economic Studies.

Rampini and Viswanathan, 2010, *Collateral, Risk Management, and the Distribution of Debt Capacity*, the Journal of Finance.

Di Tella, 2017, *Uncertainty Shocks and Balance Sheet Recessions*, Journal of Political Economy.

Pecuniary externalities

*Lorenzoni, 2008, *Inefficient Credit Booms*, the Review of Economic Studies.

*Davila and Korinek, 2017, *Pecuniary Externalities in Economies with Financial Frictions*, the Review of Economic Studies.

*Korinek and Simsek, 2016, *Liquidity Trap and Excessive Leverage*, American Economic Review.

Caballero and Krishnamurthy, 2006, *Bubbles and Capital Flow Volatility: Causes and risk Management*, Journal of Monetary Economics.

Farhi, E. and Werning, I., 2016, *A Theory of Macroprudential Policies in the Presence of Nominal Rigidities*, Econometrica.

Kurlat, 2020, *Investment Externalities in Models of Fire-Sales*, Working Paper.