Topics in Macroeconomics VIII:
Empirical Macro Finance

2021-2022 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Macroeconomics VIII   Code: 32102
- Total credits: 3 ECTS   Workload: 75 hours
                                                          Term: 3rd
- Type of subject: Elective
- Department of Economics and Business
- Teaching Team: Dmitry Kuvshinov and Björn Richter

2. Teaching guide

- **Introduction**

This course studies the interactions between financial markets and the broader macroeconomy. How are real economic developments reflected in financial markets? Does finance affect business cycles and economic growth? We will first review statistical concepts and data sources that can be employed to study these questions. We then discuss the main empirical contributions to the field. As a starting point, we will first establish that financial market developments matter for real economic outcomes. The rest of the course will be devoted to the channels linking financial markets and real economic outcomes, and to the question of what is driving financial markets in the first place. Topics include transmission channels from financial crises and debt deleveraging; the distribution of creditors and borrowers across firms, households, and governments; the role of beliefs and expectations in driving financial activity; and agency frictions such as moral hazard and adverse selection and their role in linking finance and the macroeconomy. We will focus on

lessons that can be drawn from macro-financial data, often taking a long-run view to account for the rare events nature of financial crises.

- **Prerequisites**

This course is mainly intended for MRes students. BSE students can be admitted on an individual basis. If interested, they should write a petition including their motivation and previous grades in the masters.

- **Teaching methodology**

The course focuses on empirical applications, requiring a sound understanding of economic theory. In the lectures, we will study important contributions to the field, reviewing theoretical predictions, and going through the methodology and results of the main empirical papers. Working with data will form an integral part of the course. This includes both replicating empirical papers as well as using data to independently analyze how well empirics line up with the predictions of theoretical models. Much of the empirical work will take a big-picture view drawing on long-run macro-financial data (available at, for example, macrohistory.net/data) and we will consider a range of empirical methodologies that can be used to study the questions outlined above.

- **Contents**

    1. Introduction to macro-finance
    2. Overview: relevant data and accounting concepts
    3. Do financial markets matter for real economic outcomes?
    4. How are macroeconomic developments reflected in financial markets?
    5. Channels that link finance and macroeconomics

- **Assessment and Grading System**

The course will be based on a detailed discussion of empirical papers. Students will contribute by replicating and presenting one paper in class. At the end of the course students will prepare a research proposal based on the content discussed in class. Final grade will be based on class participation and presentations (50%) and the final research proposal (50%).