Topics in Macroeconomics III:
Firms, Networks and Macroeconomic Fluctuations

2017-2018 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

Topics in Macroeconomics III
Total credits: 3 ECTS
Type of subject: Optative
Department of Economics and Business
Teaching team: Julian di Giovanni

Code: 32082
Workload: 75 hours
Term: 3rd
2. Teaching guide

Introduction

This course is designed for PhD students who are interested in exploring the importance of microeconomic shocks at the firm or sector level, and network linkages that underlie macroeconomic fluctuations, both in closed- and open-economy settings.

The course first introduces students to recent models that study how shocks at the firm or sector level propagate through the economy and impact macroeconomic volatility. Empirical evidence is then presented, and techniques that employ large micro-datasets to study aggregate fluctuations are introduced. Finally, linkages in the open economy and the transmission of shocks across borders are studied.

Admission Criteria

This course is for MRes/PhD students. MSc Economics students can register in this course if the two following criteria are met:

i) They have taken both Advanced Macroeconomics I and II in the previous terms and obtained a grade of 7 or higher in each course.

ii) The total number of registered students is not larger than 15.

Contents

1. Firm Size and Granularity
   a. Stylized facts on firm-size heterogeneity
   b. Model of firm-level shocks and aggregate fluctuations

2. Granularity in the open economy
   a. Stylized facts on firms and international trade
   b. Multi-country model of world trade and macroeconomic volatility

3. Linkages
   a. Empirical motivation: firms, sectors and geographical linkages
   b. Simple model of linkages in the macroeconomy

4. Closed-economy evidence on linkages
   a. Sector-level evidence
   b. Firm-level evidence

5. Open economy and linkages
   a. Baseline model and extensions
   b. Empirical evidence
Syllabus

Note: this list is preliminary. New papers may be added before the course starts.

1. Firm Size and Granularity


Recommended


2. Granularity in the open economy


Recommended


3. Linkages


** Bernard, Andrew B., Andreas Moxnes, and Yukiko U. Saito. 2015. “Production Networks, Geography and Firm Performance.” Mimeo, Tuck School of Business at Dartmouth, University of Oslo, and RIETI.


Recommended


4. Closed-economy evidence on linkages


** Carvalho, Vasco M., Makoto Nireiz, Yukiko U. Saitox, and Alireza Tahbaz-Salehi. 2015. “Supply Chain Disruptions: Evidence from the Great East Japan Earthquake.” Mimeo, Cambridge University, Hitotsubashi University, RIETI, and Columbia GSB.


Recommended


5. Open economy and linkages


Recommended


Assessment and Grading

The final grade of the course will consist of three parts:

1. A referee report on a paper in the recommended readings, and agreed upon with the professor. (20%)
2. A data problem set. (20%)
3. A proposal for an original research paper. (60%)

Parts (1) and (2) will be due by the end of the 5-week class, while students will have until the end of the term to complete part (3). Further details will be provided at the beginning of the term.