

# Collegio Carlo Alberto

## Macroeconomics

Instructor: Filippo Taddei

### Contact Information

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Class Hours: R 6:30-8:30 pm, F 9-11 am  
Office Hours: TBC

### Course Description

This is an advanced macroeconomics course, comparable to 1<sup>st</sup> year PhD level. The objective is to familiarize students with a number of tools relevant to the understanding of the relationship between macroeconomics and the credit markets. We then apply these concepts to topics relevant to macroeconomics and international finance.

**Remain UP TO DATE:** check your email regularly.

### Problem Sets

There will be 4 problem sets assigned throughout the course.

Problem sets must be submitted and there are no late submissions: no submission implies a 5% penalty on the total final score.

### Grading

There will be a single midterm and final exam in May. The grade will be determined by:

- midterm (30%)
- final exam (60%)
- *bad day* insurance (10%) to be added to *max* (final exam, midterm)

Failure to complete the final exam will result in a failing grade.

Failure to complete the midterm will lead to zero being assigned for that evaluation.

There are no make-up exams or alternative dates.

### Attending Class

You are strongly encouraged to attend *all* classes. Do not plan travel, take other classes, enroll in internships or make other commitments that conflict with class dates.

## TOPICS

### 1. GENERAL EQUILIBRIUM – AN OVERVIEW

Mas-Colell, A. , and Whinston M. and J. Green, “Microeconomic Theory”, Oxford University Press, 1995.

Bewley, T. “General equilibrium, overlapping generations models, and optimal growth theory”, Harvard University Press, 2007

### 2. OVERLAPPING GENERATIONS MODEL AND GROWTH

Acemoglu, D. “Introduction to Modern Economic Growth”, Princeton University Press, 2009, Chapter 9.

Barro, R. “Are government bonds net wealth?,” *Journal of Political Economy*, 1095-1117, 1984.

Bewley, T. “General equilibrium, overlapping generations models, and optimal growth theory”, Harvard University Press, 2007, Chapters 9-10.

Blanchard, O., and S. Fischer, *Lectures on macroeconomics*, MIT Press, 1989. (Chapter 3).

Diamond, P., “National debt in a neoclassical growth model”, *American Economic Review*, 1126-1150, 1965.

Samuelson, P. “An exact consumption-loan model of interest with or without the social contrivance of money”, *Journal of Political Economy*, 467-482, 1958.

Tirole, J., “Asset Bubbles and Overlapping Generations,”1985, *Econometrica*, 53, pp. 1499-1528.

### 3. CREDIT MARKETS IMPERFECTIONS AND ASYMMETRIC INFORMATION

Azariadis, C., and B. Smith, “Adverse selection in the overlapping generations model: the case of pure exchange,” *Journal of Economic Theory*, 60, 277-305, 1993.

Azariadis, C., and B. Smith, “Financial intermediation and regime switching in business cycles”, *American Economic Review*, 88, 516-536, 1998.

Bencivenga, V. and B. Smith “Some consequences of credit rationing in an endogenous growth model,” *Journal of Economic Dynamics and Control*, 17, 97-122, 1993.

Bernanke, B., and M. Gertler, “Agency Costs, Net Worth and Business Fluctuations,” *American Economic Review*, 79, 14-31, 1989.

De Meza, D. and Webb, D., “Too much Investment: a problem Of Asymmetric Information”, *The Quarterly Journal of Economics*, 102, 281-292, 1987.

Holmström, B. and J. Tirole, “Private and public supply of liquidity,” *Journal of Political Economy*, 106, 1-40, 1998.

Kiyotaki, N. and J. Moore, "Credit Cycles", *Journal of Political Economy*, 105, 211-248, 1997.

Reichlin, P., "Credit markets and the Macroeconomy," in Bhattacharya, S., Boot, A. and Thakor, A. (eds.), *Credit, Intermediation and the Macroeconomy - Readings and Perspectives in Modern Financial Theory*, Oxford University Press (2004).

Stiglitz, J., and A. Weiss, "Credit rationing in markets with imperfect information," *American Economic Review*, 71, 393-410, 1981.

#### 4. FINANCIAL FRICTIONS, GLOBALIZATION AND THE FINANCIAL CRISIS

Caballero, R. and A. Krishnamurthy, "International and domestic collateral constraints in a model of emerging market crises," *Journal of Monetary Economics*, 48, 513-48, 2001.

Caballero, R. and Krishnamurthy, A., "Global Imbalances and Financial Fragility", *American Economic Review Papers and Proceedings*, 99, 584-588, 2009.

Caballero, R. and Krishnamurthy, A., "Bubbles and Capital Flow Volatility: Causes and Risk Management", *Journal Monetary of Economics*, 53, 35-53, 2006.

Caballero, R., "The "Other Imbalance and the Financial Crises", 2010, NBER Working Paper No. 15636.

Martin, A. and Taddei, F. (2013), "International Capital Flows and Credit Market Imperfections: a Tale of Two Frictions", *Journal of International Economics*.

Martin, A. and Ventura, J. (2012), "Economic Growth with Bubbles", *American Economic Review*.

Matsuyama, K., "Financial Market Globalization, Symmetry-Breaking and Endogenous Inequality of Nations", 2004, *Econometrica*, 72(3), pp. 853-884.

#### 5. ADDRESSING GLOBAL IMBALANCES: THE ROLE OF FINANCIAL REFORM

Caballero, R., E. Farhi, and P. Gourinchas, (2008), "An equilibrium model of 'global imbalances' and low interest rates," *American Economic Review* 98, 358-93

Gourinchas, P., and O. Jeanne, (2009), "Capital flows to developing countries: the allocation puzzle," mimeo, Berkeley.

Hsieh, C. and Klenow, P., (2009), "Misallocation and manufacturing TFP in China and India," *Quarterly Journal of Economics* 124, 1403-1448

Martin, A. and J. Ventura, (2012), "Financial reform and capital flows: insights from general equilibrium," mimeo, CREI.

Song, Z., K. Storesletten and F. Zilibotti, (2011), "Growing like China," *American Economic Review* 101, 196-233

Prasad, E., R. Rajan, and A. Subramanian, (2007). "Foreign capital and economic growth," *Brookings Papers on Economic Activity*, 153-209