

Collegio Carlo Alberto

Allievi Program and Master in Economics

Macroeconomics

Spring 2012

Instructor: Filippo Taddei

Contact Information

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Class Hours: TBA

Office Hours: TBA

Course Description

This is an advanced macroeconomics course, comparable to 1st year PhD level. The objective is to familiarize students with a number of tools relevant to understand the relationship between macroeconomics and the credit markets and to apply them to topics relevant to macroeconomics and international finance.

Remain UP TO DATE: check my webpage 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%) , TBA
- final exam (60%) , TBA
- *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. FOUNDATIONS OF GENERAL EQUILIBRIUM

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

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.

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.

Holmström, B., and J. Tirole, “Financial intermediation, loanable funds, and the real sector,” *Quarterly Journal of Economics*, 112, 663-91, 1997.

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.

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

Bernanke, B., Gertler, M., and Gilchrist, “The financial accelerator in a quantitative business cycle framework,” in John Taylor and Michael Woodford (eds.), *Handbook and Macroeconomics*, Amsterdam: North Holland, 1999.

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”, Working Paper, 2008.

Caballero, R. and Krishnamurthy, A., “Bubbles and Capital Flow Volatility: Causes and Risk Management”, January 2006, *Journal Monetary of Economics*, 53(1), pp. 35-53.

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

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

Martin, A. and Ventura, J., “Economic Growth with Bubbles”, Mimeo, 2010.

Martin, A. and Taddei, F., “International Capital Flows and Credit Market Imperfections: a Tale of Two Frictions”, Mimeo, 2010