Instituto
de Economía

B2. MacroeconomicDeterminants of Financial Volatility

Working Language: English

Course Description

The goal of this course is to explore why stock prices and other financial assets are so much volatile than real variables such as output, consumption, investment and hours worked. Our framework of analysis will be a macroeconomic model with technology adoption. To explain this dual volatility, existing research has focussed on sophisticated preferences and adjustment costs of investment, and bubbles. The results have been really mixed; e.g., adjustment costs would have to be extremely big, or the elasticity of risk aversion would have to be implausibly high.
We will pursue a systematic study of many other variables that may impact the stock market without creating excess volatility in real macroeconomic aggregates. More specifically, we will analyze the potential consequences of arrival and adoption of new technologies, taxes, various monetary and fiscal policies, leverage, and demand shocks.

Programme

1. Empirical evidence of volatility of stock market and real macroeconomic variables.
2. A model of technology adoption
3. Transmission mechanisms
4. Analysis, Computation and Calibration
5. Main determinants of asset price volatility
6. Extensions

Instructor

Manuel S. Santos (Catedrático de Excelencia UC3M-Banco de Santander)

Ph. D. in Economics, (U. of Chicago, 1984). He has published in *Econometrica, Journal of Economic Theory, Review of Economic Studies, etc.*

Time

June 24-25, 16:00 to 20:15

Venue

Universidad Carlos III de Madrid, Campus de Getafe
Calle Madrid, 126
Edificio 11 Luis Vives
Aula 11.0.03
Map (at the end of the document)

Length

8 hours

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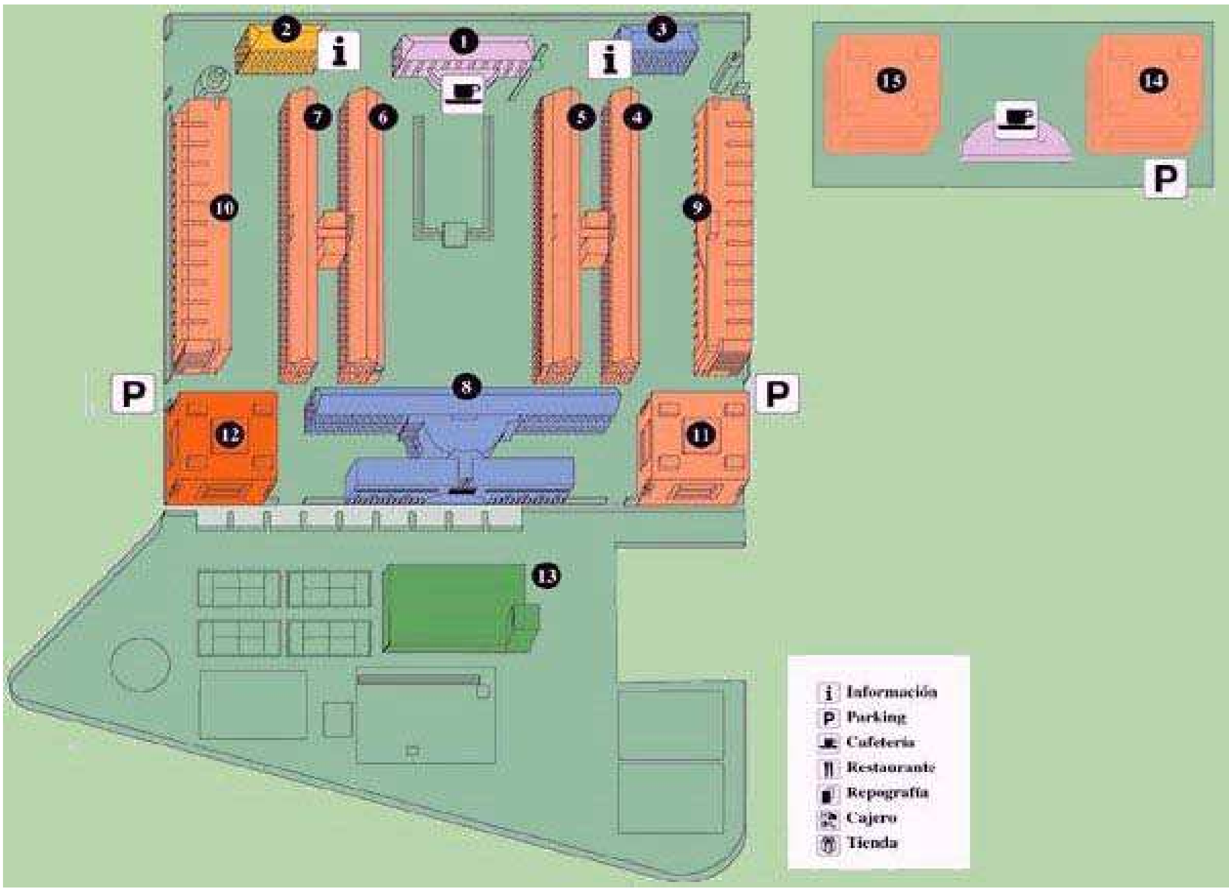
Map of Universidad Carlos III, Getafe Campus



More information: http://turan.uc3m.es/uc3m/gral/IG/CA/situaget.html