

Advanced Macroeconomics

Professor: Antonia Díaz and Andrés Erosa

UC3M

November 5 to December 19, 2013

September 9, 2013

Dates. T and Th 3 pm to 5:15 pm, room 11.2.18

Objective. The objective of the course is to introduce the modeling of heterogeneous agents economies (heterogeneity across firms and households) and the modeling of frictions on credit, labor market and housing markets. The student will be familiarized with the modern quantitative techniques used in macroeconomics and will learn about important research questions in macroeconomics.

Requirements. The course requires some basic knowledge of: (1) dynamic programming, (2) measure theory, and (3) Markov chains. There are several references to refresh the basics of dynamic programming: a simple one is Ljungqvist and Sargent (2004, chapter 3) but the most complete source is Stokey, Lucas, and Prescott (1989). Its first chapter is a very easy help. For measure theory you can check Stokey, Lucas, and Prescott (1989, chapter 7) For Markov chains, a good reference is Ljungqvist and Sargent (2004, chapter 2). A very comprehensive treatment can be found in Stokey, Lucas, and Prescott (1989, chapter 8).

Grading. The final grade on the course will be based on:

1. Homework assignments (30%)
2. Final Exam (70%).

Part I. Firm Dynamics.

1. Industry Equilibrium: Hopenhayn (1992)
2. Labor Markets and Other Distortions: Hopenhayn and Rogerson (1993), Veracierto (2001), Restuccia and Rogerson (2008)
3. Trade Liberalization, Labor Reallocation, Technology upgrading: Kambourov (2009), Pavnic (2002), Cosar (2010) and Bustos (2009)

Part II. Financial Frictions.

1. Capital Market in Economic Development: Buera, Kaboski, and Shin (2010), Buera and Shin (2009)
2. Models with default.
 - Accounting for default in consumer credit in the U.S.: Chatterjee, Corbae, Nakajima, and Ríos-Rull (2007)
 - Default and Firm Dynamics: Arellano, Bai, and Zhang (2009)
 - Accounting for default in sovereign debt: Arellano (2008)
3. Financial Shocks and the Business Cycle: Jermann and Quadrini (2012), Huo and Ríos-Rull (2012)
4. Financial Integration and Global Imbalances: Mendoza, Quadrini, and Rios-Rull (2009)

Part III. Household portfolio.

1. Household's portfolio and wealth distribution in general equilibrium: Díaz and Luengo-Prado (2010).
2. Determinants of tenure choice: Díaz and Luengo-Prado (2008).
3. Self-insurance: Hryshko, Luengo-Prado, and Sørensen (2010).

Part IV. Prices in neoclassical frameworks.

- Davis and Heathcote (2005), Davis and Heathcote (2007)

Part V. Frictions.

- Financial frictions
 1. Banks: Diaz-Gimenez, Prescott, Fitzgerald, and Alvarez (1992), Moore (2011).
 2. Open economies: Kiyotaki, Michaelides, and Nikolov (2011), Franjo (2013), Mendoza, Quadrini, and Rios-Rull (2009)
 3. Credit crunches and other frictions: Guerrieri and Lorenzoni (2011), Buera and Moll (2012), Mendoza (2010), Piazzesi and Schneider (2009).

- Search frictions: Díaz and Jerez (2010).
- Geography: Davis, Fisher, and Whited (2010), Desmet and Rossi-Hansberg (2010).

Part VI. Taxation.

- The consequences of preferential treatment of housing taxation: Gervais (2002).
- Ramsey taxation: Conesa, Kitao, and Krueger (2009), Nakajima (2010).
- Mirrlees taxation: Cremer and Gahvari (1998), Golosov, Tsyvinski, and Werning (2007).

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