

Advanced Macroeconomics and Finance

Code: 40102
ECTS Credits: 10

Degree	Type	Year	Semester
4313805 Economic Analysis	OT	2	2

Contact

Name: Francisco Obiols Homs

Email: Francesc.Obiols@uab.cat

Teachers

Jordi Caballé Vilella

Jesús David Pérez Castrillo

Albert Marcet Torrens

Luca Gambetti

Joan Llull Cabrer

Raul Santaeulalia Llopis

Use of Languages

Principal working language: english (eng)

External teachers

Abhay Abhyankar

Ada Ferrer-i-Carbonell

Alexander Ludwig

Evgenia Vella

Hannes Müller

Hugo Rodríguez Mendizabal

Rigas Oikonomou

Timothy Kehoe

Prerequisites

There are no specific prerequisites

Objectives and Contextualisation

This module presents some of the most widely used theoretical and empirical models in modern macroeconomics. By providing the student with solid theoretical foundations, the goal of this module is to bring the student to frontier applications in macroeconomics and finance and open new lines of research. The

models seen in this module can be learned from the fields of labor economics, international macroeconomics, trade, financial economics, asset pricing, monetary policy and fiscal policy. Students will also learn state of the art techniques for policy evaluation.

Competences

- Apply the methodology of research, techniques and specific advanced resources to research and produce innovative results in a specific area of specialisation
- Capacity to articulate basic economic theory, analytically deriving them from mathematical reasoning
- Conceptually analyse a specific economic problem using advanced analytical tools
- Demonstrate an open , innovative and analytical attitude towards research questions
- Design, plan and carry out economic research
- Express recommendations about economic policy at macro and micro levels
- Make independent judgements and defend them dialectically
- Possess and understand knowledge that provides a basis or opportunity for originality in the development and/or application of ideas, often in a research context
- Search for information in the scientific literature using the appropriate channels and integrate the information to propose and contextualise a research topic
- Student should possess the learning skills that enable them to continue studying in a way that is largely student led or independent
- Students should be able to integrate knowledge and face the complexity of making judgements based on information that may be incomplete or limited and includes reflections on the social and ethical responsibilities associated with the application of their knowledge and judgements
- Students should know how to apply the knowledge they have acquired and their capacity for problem solving in new or little known fields within wider (or multidisciplinary) contexts related to the area of study
- Students should know how to communicate their conclusions, knowledge and final reasoning that they hold in front of specialist and non-specialist audiences clearly and unambiguously

Learning Outcomes

1. Apply the methodology of research, techniques and specific advanced resources to research and produce innovative results in a specific area of specialisation
2. Demonstrate an open , innovative and analytical attitude towards research questions
3. Draw up rigorous arguments to explain certain macroeconomic and financial phenomena
4. Frame an economic question in the field of macroeconomics and finance in a mathematical problem and derive the answer from mathematical logic
5. Identify the specific assumptions that allow the answer to be found for phenomena in the field of macroeconomics and finance
6. Interpret the modelling of a problem and the conclusion deriving from it
7. Make independent judgements and defend them dialectically
8. Possess and understand knowledge that provides a basis or opportunity for originality in the development and/or application of ideas, often in a research context
9. Recognise the existing challenges in the field of macroeconomics and finance, propose a plan to describe the stages to follow and the methodologies to use to respond to those challenges
10. Search for information in the scientific literature using the appropriate channels and integrate the information to propose and contextualise a research topic
11. Student should possess the learning skills that enable them to continue studying in a way that is largely student led or independent
12. Students should be able to integrate knowledge and face the complexity of making judgements based on information that may be incomplete or limited and includes reflections on the social and ethical responsibilities associated with the application of their knowledge and judgements
13. Students should know how to apply the knowledge they have acquired and their capacity for problem solving in new or little known fields within wider (or multidisciplinary) contexts related to the area of study
14. Students should know how to communicate their conclusions, knowledge and final reasoning that they hold in front of specialist and non-specialist audiences clearly and unambiguously

Content

Corporate Finance

Optimal Policy and Expectations

Quantitative Macroeconomics

Money and Banking

Structural Microeconometrics

Macroeconometrics

Applied Public Economics

Topics in Trade and International and Empirical Finance

Asset Pricing

Methodology

- Theory classes
- Practical classes
- Learning based on problem solving
- Tutorials
- Personal study
- Study groups
- Textbook reading
- Article reading

Activities

Title	Hours	ECTS	Learning Outcomes
Type: Directed			
Theory classes	75	3	1, 10, 2, 3, 7, 4, 5, 6, 12, 13, 14, 11, 9, 8
Type: Supervised			
Practical classes, problems sets, tutorials	25	1	1, 10, 2, 3, 7, 4, 5, 6, 12, 13, 14, 11, 9, 8
Type: Autonomous			
Personal study, study groups, textbook readings, article readings	150	6	1, 10, 2, 3, 7, 4, 5, 6, 12, 13, 14, 11, 9, 8

Assessment

Final Exams
A module consists of different courses which are evaluated through final exams, problem sets and assignments and other class activities such as class attendance, presentations, etc. 50%

Class attendance and active participation 20%

Assessment Activities

Problem sets and assignments Title	Weighting	Hours	ECTS	Learning Outcomes	30%
Class Attendance and Problem sets and assignments	50%	0	0	1, 10, 2, 3, 7, 4, 5, 6, 12, 13, 14, 11, 9, 8	
Final Exams	50%	0	0	1, 10, 2, 3, 7, 4, 5, 6, 12, 13, 14, 11, 9, 8	

Bibliography

- Tirole, J. (2006), "*The Theory of Corporate Finance*," Princeton University Press.
- Brealey, R.A. and Myers, S.C. (1997), "*Principles of Corporate Finance*," New York McGraw-Hill.
- Kaplan, S. and Strömberg, P. (2003), "Financial Contracting Meets the Real World: An Empirical Study of Venture Capital Contracts," *Review of Economic Studies* 70: 281-315.
- Macho-Stadler, I. and Pérez-Castrillo, D. (2010), "Incentives in University Technology Transfers", *International Journal of Industrial Organization* 28 : 362-367.
- Evans, G. and S. Honkapohja, 2001, *Learning and Expectations in Macroeconomics*, Princeton University Press. This reference focuses on the issues of convergence.
- Sargent, T., 1993, *Bounded Rationality in Macroeconomics*, Oxford University Press. Below there is a detailed description of each topic and some readings.
- Ljungqvist, L. and T.J. Sargent (2004), *Recursive Macroeconomic Theory*, 2nd edition MIT Press.
- Lucas, R.E., and N. L. Stokey (1989); *Recursive Methods in Economic Dynamics*, Harvard University Press.
- Chari, V.V. and P. Kehoe (1999): "Optimal Fiscal and Monetary Policy" in, *Handbook of Macroeconomics*, John
- Taylor and Mike Woodford, eds. (North Holland: Amsterdam
- *Methods and Applications*, vol. 1 of MIT Press Books, The MIT Press.
- Aguiar, M. and G. Gopinath (2006): "Defaultable debt, interest rates and the current account," *Journal of International Economics*, 69, 64-83.
- Arellano, C. (2008): "Default Risk and Income Fluctuations in Emerging Economies," *American Economic Review*, 98, 690-712.
- Bocola, L. (2016): "The Pass-Through of Sovereign Risk," *Journal of Political Economy*.
- den Haan, W. J. and A. Marcet (1990): "Solving the Stochastic Growth Model by Parameterizing Expectations," *Journal of Business & Economic Statistics*, 8, 31-34.
- Gornemann, N., K. Kuester, and M. Nakajima (2016): "Doves for the Rich, Hawks for the Poor? Distributional Consequences of Monetary Policy," CEPR Discussion Papers 11233, C.E.P.R. Discussion Papers.
- Gourieroux, C. and A. Monfort (1997): *Simulation-based Econometric Methods*, no. 9780198774754 in OUP Catalogue, Oxford University Press.
- Hatchondo, J. C., L. Martinez, and H. Saprizza (2009): "Heterogeneous Borrowers In Quantitative Models Of Sovereign Default," *International Economic Review*, 50, 1129-1151.
- Judd, K. L. (1998): *Numerical Methods in Economics*, vol. 1 of MIT Press Books, The MIT Press.
- Krusell, P., A. A. Smith, and Jr. (1998): "Income and Wealth Heterogeneity in the Macroeconomy," *Journal of Political Economy*, 106, 867-896.

- Marimon, R. and A. Scott, eds. (1999): *Computational Methods for the Study of Dynamic Economies*, Oxford University Press.
- Quadrini, V. (2000): "Entrepreneurship, Saving and Social Mobility," *Review of Economic Dynamics*, 3, 1-40.
- Reiter, M. (2010): "Solving the incomplete markets model with aggregate uncertainty by backward induction," *Journal of Economic Dynamics and Control*, 34, 28-35.
- Rojas, L. E. (2017): "Expectations Formation and Investment During Recessions," .
- Sargent, T. (2001): *The Conquest of American Inflation.*, Princeton University Press.
- Thaler, D. (2017): "Austerity to save the banks? A quantitative Model of Sovereign Default with Endogenous Default Costs and a Financial Sector,"
- Thomas, J. K. (2002): "Is Lumpy Investment Relevant for the Business Cycle?" *Journal of Political Economy*, 110, 508-534.

- Galí, J. (2008): *Monetary Policy, Inflation and the Business Cycle*, Princeton University Press
- Walsh, C. E. (2010): *Monetary Theory and Policy* Cambridge, MA: MIT Press, 3rd edition
- Allen, F. and D. Gale (2007): *Understanding Financial Crises*, Oxford University Press
- Bindseil, U. (2004): *Monetary Policy Implementation: Theory, Past and Present*, Oxford University Press

- Adda, J. and R. W. Cooper (2003), *Dynamic Economics: Quantitative Methods and Applications*. The MIT Press.
- Aguirregabiria, V. and P. Mira (2002), "Swapping the Nested Fixed Point Algorithm: A Class of Estimators for Discrete Markov Decision Models", *Econometrica*, 70, 1519-1543.
- Aguirregabiria, V. and P. Mira (2007), "Sequential Estimation of Dynamic Discrete Games", *Econometrica*, 75, 1-53.
- Aguirregabiria, V. and P. Mira (2010), "Dynamic Discrete Choice Structural Models: A Survey", *Journal of Econometrics*, 156: 38-67
- Arcidiacono, P. and P. B. Ellickson (2011), "Practical Methods for Estimation of Dynamic Discrete Choice Models", *Annual Review of Economics*, 3, 363-394.
- Arcidiacono, P. and R. A. Miller (2011), "Conditional Choice Probability Estimation of Dynamic Discrete Choice Models with Unobserved Heterogeneity", *Econometrica*, 79, 1823-1867.
- Hong, H. and M. Shum (1998), "Structural Estimation of Auction Models", In: Patrone F., García-Jurado I., Tijs S. (eds) *Game Practice: Contributions from Applied Game Theory. Theory and Decision Library (Series C: Game Theory, Mathematical Programming and Operations Research)*, vol 23. Springer, Boston, MA.
- Hotz, V. J. and R. A. Miller (1993), "Conditional Choice Probabilities and the Estimation of Dynamic Models", *Review of Economic Studies*, 60, 497-529.
- Keane, M. P. and K. I. Wolpin (1997), "The Career Decisions of Young Men", *Journal of Political Economy*, 105, 473-522.
- Rust, J. (1987), "Optimal Replacement of GMC Bus Engines: An Empirical Model of Harold Zurcher", *Econometrica*, 55, 999-1033.

- Benjamin, D.J., O. Heffetz, M. Kimball & A. Rees-Jones, 2012. What do you think would make you happier? What do you think you would choose? *American Economic Review* 102(5): 2083-2110.
- Boyce, C and A. Oswald, 2012. Do People Become Healthier After Being Promoted?. *Health Economics*, 21(5): 580-596.
- Caliendo, M., Cobb-Clark, D. and Uhlendorff, A., 2015. Locus of Control and Job Search Strategies, *Review of Economics and Statistics*, 97(1), 88-103
- Card, D., A. Mas, E. Moretti, and E. Saez. 2012. Inequality at Work: The Effect of Peer Salaries on Job Satisfaction. *American Economic Review*, 102: 2981-3003
- Clark, Doyle & Stanca, 2019. The Impact of Terrorism on Well-being: Evidence from the Boston Marathon Bombing, *Economic Journal*, forthcoming
- De Neve, J-E and A. Oswald, 2012. Estimating the influence of life satisfaction and positive affect on later income using sibling fixed effects. *Proceedings of the National Academy of Sciences of the USA*, 109(49): 19953-19958.
- De Neve, J-M, G. Ward, F. De Keulenaer, and B. Van Landeghem, 2018. The Asymmetric Experience of Positive and Negative Economic Growth: Global Evidence Using Subjective Well-Being Data. *Review of Economics and Statistics*, forthcoming.

- Ferrer-i-Carbonell, A. and P. Frijters, 2004. How Important is Methodology for the estimates of the determinants of Happiness? *Economic Journal*, 114(497), 641-659.
- Frijters, P., J.P. Haisken-DeNew, and M.A. Shields, 2004. The Value of Reunification in Germany: An Analysis of Changes in Life Satisfaction. *Journal of Human Resources*, 39 (3), 649-674
- Lekfuangfu, Powdthavee, Warrinnier, & Cornaglia, 2018, Locus of Control and Its Intergenerational Implications for Early Childhood Skill Formation. *Economic Journal*, 128: 298-329.
- Luechinger, S., S. Meier, and A. Stutzer, 2010. Why does unemployment hurt the employed? evidence from the life satisfaction gap between the public and the private sector. *Journal of Human Resources*, 45(4), 998-104.
- Perez-Truglia, R., 2018. The Effects of Income Transparency on Well-Being: Evidence from a Natural Experiment. (Download from SSRN).
- Pezzini, S., 2005. The Effect of Women's Rights on Women's Welfare: Evidence from a Natural Experiment. *Economic Journal*, 115: C208-C227
- Powdthavee, Plagnol, Frijters & Clark, 2019 Who Got the Brexit Blues? The effect of Brexit on subjective wellbeing in the UK. *Economica*, forthcoming.
- on Intentions to Quit. *Journal of Health Economics*, 2001, 20(5), 677-801
- C. Bajona and T. J. Kehoe, "Trade, Growth, and Convergence in a Dynamic Heckscher-Ohlin Model," *Review of Economic Dynamics*, 13 (2010), 487-513.
- F. Rodriguez and D. Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence," in B. Bernanke and K. Rogoff, editors, *Macroeconomics Annual 2000*, MIT Press, 2001, 261-325.
- J. Asturias, S. Hur, T. J. Kehoe, and K. J. Ruhl, "The Interaction and Sequencing of Policy Reform," Federal Reserve Bank of Minneapolis Staff Report 521.
- J. Eaton, S. Kortum, and F. Kramarz, "An Anatomy of International Trade: Evidence from French Firms," *Econometrica*, 79 (2011), 1453-1498.
- J. Markusen, "Explaining the Volume of Trade: An Eclectic Approach," *American Economic Review*, 76 (1986), 1002-1011.
- J. Ventura, "Growth and Interdependence," *Quarterly Journal of Economics*, 112 (1997), 57-84. A. Young, "Learning by Doing and the Dynamic Effect of International Trade," *Quarterly Journal of Economics*, 106 (1991), 369-405.
- K. J. Ruhl, "Solving the Elasticity Puzzle in International Economics," University of Texas at Austin, 2008.
- K.-M. Yi, "Can Vertical Specialization Explain the Growth of World Trade?" *Journal of Political Economy*, 111 (2003), 52-111.
- M. J. Gibson, "Trade Liberalization, Reallocation, and Productivity," University of Minnesota, 2006.
- M. J. Melitz, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 71 (2003), 1695-1725.
- M. Roberts and R. Tybout, "The Decision to Export in Colombia : An Empirical Model of Entry with Sunk Costs." *American Economic Review*, 87 (1997), 545-564.
- P. J. Kehoe and T. J. Kehoe, "A Primer on Static Applied General Equilibrium Models," *Federal Reserve Bank of Minneapolis Quarterly Review*, 18:2 (1994), 2-16.
- R. Bergoening and T. J. Kehoe, "Trade Theory and Trade Facts," Federal Reserve Bank of Minneapolis, 2003.
- T. Chaney, "Distorted Gravity: Heterogeneous Firms, Market Structure, and the Geography of International Trade," *American Economic Review* 98 (2008), 1707-1721.
- T. J. Kehoe and K. J. Ruhl, "Are Shocks to the Terms of Trade Shocks to Productivity?" *Review of Economic Dynamics*, 11 (2008), 804-819.
- T. J. Kehoe and K. J. Ruhl, "How Important is the New Goods Margin in International Trade?" *Journal of Political Economy*, 121 (2013), 358-392.
- T. J. Kehoe, "An Evaluation of the Performance of Applied General Equilibrium Models of the Impact of NAFTA," in T. J. Kehoe, T. N. Srinivasan, and J. Whalley, editors, *Frontiers in Applied General Equilibrium Modeling: Essays in Honor of Herbert Scarf*, Cambridge University Press, 2005, 341-77.
- T. J. Kehoe, C. Polo, and F. Sancho, "An Evaluation of the Performance of an Applied General Equilibrium Model of the Spanish Economy," *Economic Theory*, 6 (1995), 115-141.
- T. J. Kehoe, J. M. Rossbach, and K. J. Ruhl, "Using the New Products Margin to Predict the Industry-Level Impact of Trade Reform," Federal Reserve Bank of Minneapolis, 2013

- *Open Economy Macroeconomics* by Martin Uribe and Stephanie Schmitt-Grohe, Princeton University Press March 2017
- Campbell, J. Y. (2017), *Financial Decisions and Markets: A Course in Asset Pricing*. Princeton University Press
- Cochrane, J, 2005, *Financial Markets and the Real Economy*, draft Chapter 7, *Handbook of the Equity Risk Premium*. (FMRE)
- Cochrane, J. H. (2005), *Asset Pricing*. Princeton University Press. Princeton, NJ.
- Duffie, D. (2001), *Dynamic Asset Pricing Models*. Princeton University Press. Princeton, NJ.
- Ingersoll, J. (1987), *Theory of Financial Decision Making*. Rowman and Littlefield. Totowa, NJ.
- Lucca, D. and E. Moench (2015), *The Pre-FOMC Announcement Drift*, Federal Reserve Bank of New York Staff Reports No. 512, July 2013, *Journal of Finance*, Vol. 70(1), pp. 329-371.
- Ludvigson, S, 2013, *Advances in Consumption-Based Asset Pricing: Empirical Tests*, (forthcoming in Volume 2 of the *Handbook of the Economics of Finance*). (CBAPET).
- MacKinlay, A. Craig, *Event Studies in Economics and Finance*, *Journal of Economic Literature*, March 1997, 35 (1), 13-39.
- Pennacchi, G. (2007), *Theory of Asset Pricing*. Pearson Addison Wesley.