

Advanced Topics in Macroeconomics

Spring 2013
SHUFE

Meeting Time: Thursday 8:00am - 11:45am

Meeting Place: 4207

Instructor: Zhe Li

Email: lizhezhe@hotmail.com

Office Phone: 65904363

Office Location: Room 407, School of Economics building

Office Hours: by appointment

Teaching assistant: Wei Zhao, wuthering85@gmail.com

Description of the Course:

This is an advanced Ph.D (Master-PhD stream) course on Macroeconomics, aimed at second year Ph.D (Master-PhD stream) students. This course will be based on a collection of papers that focus on two topics: (1) financial frictions and business cycles, and (2) labor market and unemployment. It is hoped that some of the papers presented in the course will lead to further exploration and possibly ideas for PhD theses.

Prerequisites:

Advanced Macroeconomics I, II, III

Evaluation and Assessment:

Students are expected to actively participate in the course, work out the models presented in the class, read other listed papers, and give a presentation.

Participation: 15%

Presentation: 35%

Final Exam: 50%;

Students are expected to present a paper chosen from the reading list. The duration of a presentation is 60 minutes. The marks on presentation will depend on the level of difficulty of the article, the preparation, and the delivery.

Policies:

I don't accept any excuse for the missing of exams unless you can provide proof of emergency such as serious illness. If you miss the exam for any reason that does not qualify as a proven emergency, you get zero.

Preparing for Class:

It's better for you to read the relevant papers in ahead of the time. During class, I will focus on problem solving. If you read through the papers ahead of time, this should be great helpful for you understanding the content of lectures.

Academic Dishonesty:

Academic dishonesty by the student code of conduct includes cheating on the assignments or exams; plagiarizing; altering; forging, or misusing a University academic record; taking, acquiring, or using test materials without faculty permission; and acting alone or in cooperation with another to enhance a grade, etc. A minimum penalty for academic dishonesty is a grade of zero. Other penalties may include a F in course and a complaint to university authorities so that they act consequently with the corresponding university policy.

Reading List:

** marked as papers that will be covered in the lectures.

Topic one: Financial frictions and business cycles

1. Bernanke, B., and M. Gertler, 1989, "Agency costs, net worth, and business fluctuations." *American Economic Review* 79, p. 14-31
2. **Bernanke, Ben and Mark Gertler, 1990. "Financial Fragility and Economic Performance." *The Quarterly Journal of Economics*, 105(1): 87-114.
3. Kiyotaki, Nobuhiro. and John H. Moore, 1997. "Credit cycles." *Journal of Political Economy* 105, p. 211-248.
4. Williamson, S., 1987. "Costly monitoring, financial intermediation, and equilibrium credit rationing." *Quarterly Journal of Economics* 102, p. 135-146.
5. Bernanke, Ben, Mark Gertler, and Simon Gilchrist, 1997. "The Financial Accelerator in a Quantitative Business Cycle Framework", *Handbook of Macroeconomics*.
6. **Gertler, Mark, and Nobuhire Kiyotaki, 2010. "Chapter 11 - Financial Intermediation and Credit Policy in Business Cycle Analysis." *Handbook of Monetary Economics*, Vol. 3, p. 547-599.
7. **Mendoza, Enrique G., 2010. "Sudden Stops, Financial Crises, and Leverage", *American economic Review*, 100 (5): 1941-1966.
8. **Jermann, Urban, and Vincenzo Quadrini, 2012. "Macroeconomic Effects of Financial Shocks." *American Economic Review*, 102(1): 238-271.
9. Chen, Jie, Kevin Huang, Zhe Li, and Jianfei Sun, 2013. "Financial Frictions, Capital Shortage and Slow Recovery", manuscript.
10. Morrison, Alan D., and Lucy White. 2005. "Crises and Capital Requirements in

- Banking." *American Economic Review*, 95(5): 1548–1572.
11. Hellman, T., K. Murdock and J. Stiglitz, 2000. "Liberalization, Moral Hazard in Banking, and Prudential Regulation: Are Capital Requirements Enough?" *American Economic Review* 90(1).
 12. **Cerra, Valerie, and Sweta Chaman Saxena. 2008. "Growth Dynamics: The Myth of Economic Recovery." *American Economic Review*, 98(1): 439–57.
 13. **Hall, Robert E., 2010. "Why Does the Economy Fall to Pieces after a Financial Crisis?" *Journal of Economic Perspectives*, 24(4): 3–20.
 14. Shin, Hyun Song, 2009. "Securitisation and Financial Stability." *The Economic Journal*, 119, 309–332.
 15. Shi, Shouyong, 2011. "Liquidity, Assets and Business Cycles." Working paper.
 16. Kiyotaki, Nobuhiro, and John Moore, 2008. "Liquidity, Business Cycles, and Monetary Policy." Manuscript.

Topic two: Labor market, unemployment and Business Cycles

17. **Mortensen, Dale T., and Christopher A. Pissarides, 1994. "Job Creation and Job Destruction in the Theory of Unemployment". *Review of Economic Studies*, 61 (3), p. 397–415.
18. **Shimer, Robert, 2005. "The Cyclical Behavior of Equilibrium Unemployment and Vacancies". *AER* Vol. 95 (1), p. 25-49.
19. Hall, Robert E., 2005. "Employment Fluctuations with Equilibrium Wage Stickiness", *AER* Vol. 95 (1), p. 50-65.
20. Andolfatto, David, 1996. "Business Cycles and Labor-Market Search". *AER* Vol. 86(1), p. 112-132.
21. **Veracierto, Marcelo, 2008. "On the cyclical behavior of employment, unemployment and labor force participation". *JME* 55 (6), p. 1143-1157.
22. Gali, Jordi, Frank Smets, and Rafael Wouters, 2013. "Slow recoveries: A Structural Interpretation." *Journal of Money, Credit, and Banking*, forthcoming.
23. **Alvarez, Fernando, and Robert Shimer, 2011. "Search and Rest Unemployment", *Econometrica* 79(1), p. 75-122.
24. **Shimer, Robert, 2007. "Mismatch". *AER* Vol. 97 (4), p. 1074-1101.
25. Rogerson, Robert, and Robert Shimer, 2011. "Chapter 7 – Search in Macroeconomic Models of the Labor Market". *Handbook of Labor Economics*, 4 (A), p. 619–700.
26. Peters, Michael, 1984. "Bertrand equilibrium with capacity constraints and restricted mobility." *Econometrica* 52 (5): 1117-1127.
27. Burdett, Kenneth, Shouyong Shi, and Randall Wright, 2001. "Pricing and Matching with Frictions." *Journal of Political Economy* 109 (5): 1060-1085.
28. Guido Menzio and Shouyong Shi, "Block Recursive Equilibria for Stochastic Models of Search on the Job", *Journal of Economic Theory* 145 (4), 1453–1494.
29. Guido Menzio & Shouyong Shi, 2011. "Efficient Search on the Job and the Business Cycle," *Journal of Political Economy*, vol. 119 (3), p. 468 - 510.