FINANCE 937
Topics in Macro Finance
Fall 2022

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DESCRIPTION FIRST HALF (LANDVOIGT)

Finance 937 is a semester long course in macro-finance theory and empirics. It is intended for advanced doctoral students in finance, economics and related fields.

The course is part of the Doctoral sequence in Finance. It follows logically from FNCE 924. It is intended to complement (with minimum overlap) the asset pricing courses FNCE 921 and FNCE 934. The choice of topics is also designed to appeal to economics students with an interest in Macro and Finance.

The first half of the course focuses on quantitative theory models and connects the literatures on macro models with financial sectors, banks, monetary policy and government debt. We will also explore asset pricing implications of production economies both in models with and without nominal frictions.

Our approach is to develop and discuss in detail a set of core ideas. Course lectures summarize and combine material from several key papers, often using a consistent notation and methodology. These core insights are then used to discuss recent literature.

The reading list has two parts. It is expected that you will read the core. The supplementary readings are reasonably extensive and will be amended as the semester progresses. Past students found this to be a useful reference for the remainder of their graduate studies.

The course will also cover numerical methods for computing non-linear global solutions to macro-finance models with a finite number of heterogeneous agents. Assignments for the first half are (1) a numerical problem set and (2) a presentation.
CORE READINGS

1. **Half: Quantitative Macro-Finance Models**
   a. **Macro Models with Financial Frictions**
      • Kiyotaki, Nobuhiro and John Moore, Credit Cycles, *Journal of Political Economy*, 1997
   b. **Intermediary Asset Pricing**
   c. **Banks in Macro Models**
      • Gertler, Mark, and Nobuhiro Kiyotaki, "Financial Intermediation and Credit Policy in Business Cycle Analysis" *Handbook of Monetary Economics*, 2010
   d. **Macro-Finance with Housing and Mortgages**
   e. **Production-based Asset Pricing**
   f. **Asset Pricing Implications of New Keynesian Models**
      • Gali, Jordi, Monetary Policy, Inflation, and the Business Cycle, Textbook, Chapter 3
FURTHER READINGS

Macroeconomic Models with Financial Imperfections

Macro Theory Models with Financing Frictions


Macro Theory Models with “Bank Runs”


Quantifying Financial Frictions

- Christiano, Lawrence, Motto, Roberto, and Rostagno, Massimo, Financial Factors in Business Cycles, working paper, Northwestern University, 2010
- Hall, Robert, Quantifying the Forces Leading to the Collapse of GDP after the Financial Crisis, *NBER Macroeconomics Annual*, 2014

Macro Models of Firm Financing Frictions


Monetary Policy and Banks

• Lenel, Moritz, Piazzesi, Monika, and Schneider, Martin, The short rate disconnect in a monetary economy, *Journal of Monetary Economics* 2019
• Wang, Olivier, Banks, Low Interest Rates, and Monetary Policy Transmission, Working paper

**Housing and Mortgage Finance**
• Landvoigt, Tim, Monika Piazzesi, and Martin Schneider, The Housing Market(s) of San Diego, *American Economic Review*, 2015
• Justiniano, Alejandro, Primiceri, Giorgio, and Tambalotti, Andrea, The Mortgage Rate Conundrum, Working Paper 2018
• Justiniano, Alejandro, Primiceri, Giorgio, and Tambalotti, Andrea, Credit Supply and the Housing Boom, *Journal of Political Economy*, 2018
• Greenwald, Daniel, The Mortgage Credit Channel of Macroeconomic Transmission, Working Paper
• Greenwald, Daniel and Guren, Adam, Do Credit Conditions Move House Prices?, Working Paper

**Banking and Regulation**
• Davidyuk, Tetiana, Dynamic Bank Capital Requirements, Working paper
• Dempsey, Kyle, Capital Requirements with Non-bank Finance, Working paper
GRADES

- There is no final exam.
- Total course grade will be average of grades for 1\textsuperscript{st} and 2\textsuperscript{nd} halves.

1\textsuperscript{st} Half

Problem Set 60%

There will be one quantitative problem set. The problem set is designed to help you understand the key issues involved in numerically solving a particular class of models. Can be done individually or in groups of 2 students.

Paper Presentation 40%

Each student will need to prepare a 30 minute presentation on one paper. I will compile a list of working papers and randomly assign them, but students are free to trade assigned papers. Based on current enrollment, each student will get to present in front of the class.