The class covers advanced topics on the interaction of macroeconomics, monetary economics, banking, and finance.

1 Macroeconomic Forces

This first part takes as given the financial “frictions” and studies the macroeconomic responses. This will allow us to clarify what matters for what.

1.1 Financial spreads


• Hall (2011)

1.2 Complete markets and money


• Midrigan and Philippon (2010)

1.3 Q theory and the bonds market


• Abel (1979), Hayashi (1982), Philippon (2009)

1.4 Incomplete Markets

Notes on incomplete markets and risk sharing (precautionary savings, martingales, Bewley models)

• Guerrieri and Lorenzoni (2010)
2 Financial Contracts & Financial Markets

2.1 Corporate Finance

Notes on financial contracting.

- Irrelevance theorem: Modigliani and Miller (1958)
- Debt Overhang and Risk Shifting: Jensen and Meckling (1976), Myers (1977)
- Liquidity Diamond and Dybvig (1983)

2.2 Asset Pricing and Information


2.3 Macro Applications and Dynamic Contracts

Notes on amplification mechanisms.

- Lorenzoni (2008), Farhi, Golosov, and Tsyvinski (2009)
- Dynamic moral hazard: Clementi and Hopenhayn (2006)
- Asset Pricing and Liquidity: Brunnermeier and Pedersen (2009)
- Asset pricing and Leverage. Fostel and Geanakoplos (2008)

3 Topics for Future Research

- Finance and Growth. Time to revisit Levine (2005)?
References


