14.462 Advanced Macroeconomics
Spring 2016

Lectures: Tuesdays and Thursdays 2:30 - 4:00 (E51-372)

Recitations: Fridays 1:00-2:30 (E51-376)

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Website: http://stellar.mit.edu/S/course/14/sp16/14.462/index.html

Contents:
The course shows how contract and general equilibrium theory can help our understanding of the functioning of financial markets, the occurrence of crises, and to evaluate the rationale for financial regulation. In particular, it emphasizes that identifying the *nature* of financial frictions is crucial to determining potential market failures and thinking about ex ante optimal design – we will see many instances in which markets achieve on their own constrained-optimal outcomes and get insights about ideal ways to intervene when they do not

Requirements:
The grade will be based on class participation and a combination of problem sets and a research paper/proposal.

	Lecture	14.462 Topic
2-Feb	1	**INTRODUCTION**
4-Feb	2	**MEASUREMENT, MAPPING THE FINANCIAL SYSTEM**
5-Feb	*Rec 1*	
9-Feb	3	**THEORY AND DATA**
11-Feb	4	**IMPLEMENTATION WITHOUT OBSTACLES**
12-Feb	*Rec 2*	
16-Feb	Monday Schedule (Presidents Day)	
18-Feb	5	**RISK SHARING**
19-Feb	*Rec 3*	
23-Feb	6	**PRIVATE INFORMATION AND LIMITED COM-MITMENT (I)**
25-Feb	7	**PRIVATE INFORMATION AND LIMITED COM-MITMENT (II)**
26-Feb	*Rec 4*	
1-Mar	8	**DECENTRALIZATION WITH OBSTACLES**
3-Mar	9	**PLATFORMS (I)**

4-Mar	*Rec 5*	
8-Mar	10	**PLATFORMS (II)**
10-Mar	11	**MONEY, LIQUDITY (I)**
11-Mar	*Rec 6*	
15-Mar	12	**MONEY, LIQUDITY (II)**
17-Mar	13	**STUDENT'S PRESENTATIONS**

INTRODUCTION (LECTURE 1)

- Adrian, Tobias, and Hyun Shin. "The changing nature of financial intermediation and the financial crisis of 2007-09." FRB of New York Staff Report 439 (2010).
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TOPIC 1 – MEASUREMENT, MAPPING THE FINANCIAL SYSTEM (LECTURE 2)

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- *Baker, S.R., 2015. Debt and the consumption response to household income shocks. *Available at SSRN*.
- Barattieri, A., Eden, M. and Stevanovi, D., 2013. The connection between Wall Street and Main Street: measurement and implications for monetary policy. *World Bank Policy Research Working Paper*, (6667).
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TOPIC 2 - THEORY AND DATA (LECTURE 3)

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Macro and Financial Frictions

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TOPIC 3 - IMPLEMENTATION WITHOUT OBSTACLES (LECTURE 4)

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TOPIC 4 – RISK SHARING (LECTURE 5)

- Alem, M. and Townsend, R.M., 2014. An evaluation of financial institutions: Impact on consumption and investment using panel data and the theory of risk-bearing. *Journal of econometrics*, *183*(1), pp.91-103.
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Macro and labor supply

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Incomplete markets, banks, and default

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TOPIC 5 - PRIVATE INFORMATION AND LIMITED COMMITMENT (LECTURES 6 & 7)

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Banks Runs

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