

Financial macroeconomics

ECTS : 3

Description du contenu de l'enseignement :

· *Deterministic dynamic optimization problems.*

a. Firm's hiring decision

b. Consumption & Savings Under Uncertainty

c. Theory of Investment.

· *Asset pricing and risk.*

a. Equity premium puzzle.

· *Monetary economics.*

a. Introducing money. Classical issues in monetary economics.

b. Introducing price setting. Monetary economics with frictions.

c. Monetary policy.

Compétence à acquérir :

This 24-hour course is a graduate-level introduction to financial macroeconomics. The main objective of this course is to provide students with a rigorous approach to the basic ingredients behind any macroeconomic model, i.e the consumption/demand and production/supply sides. In an intuitive approach, students are first taught the standard techniques of dynamic programming. The traditional consumer's decision problem is then covered, potentially but not exclusively through the lens of this newly exposed method. Before studying real business cycle models as a whole and therefore being able to investigate why aggregate economic activity fluctuates in a general equilibrium setting, students learn about the neoclassical theory of investment (i.e the Ramsay model). Finally, to better understand the links between output and inflation and if time allows, students are introduced to the role played by money and the importance of prices. In particular, the New Keynesian framework with its price and/or wage rigidities allows students to analyze the costs and benefits of price stability and the inherent role of central banks.

Mode de contrôle des connaissances :

Bibliographie, lectures recommandées :

The textbooks for the course are:

- Stokey, Nancy L., Robert E. Lucas, Jr., and Edward C. Prescott: Recursive Methods in Economic Dynamics. Cambridge: Harvard University Press, 1989.
- Ljungqvist, Lars and Thomas J. Sargent: Recursive Macroeconomic Theory. Second Edition. MIT Press. 2004.
- Galí, Jordi. Monetary Policy, Inflation, and the Business Cycle: an Introduction to the New Keynesian Framework. Princeton University Press, 2008
- Cochrane, John H. Asset Pricing:(Revised Edition). Princeton university press, 2005.

Additional reading materials and the related readings will be made available later.

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