Macrofinance
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Remarque
For sem. MA1. Special schedule: see the IF website http://sfi.epfl.ch/mfe/study-plan

Summary
This course provides students with a working knowledge of macroeconomic models that explicitly incorporate financial markets. The goal is to develop a broad and analytical framework for analyzing the interaction of financial decisions, macroeconomic events and policy decisions.

Content
1. Consumption and Savings
   • Consumption and Saving Decision in an Endowment Setting
   • Investment
   • Equilibrium Interest Rate

2. Asset Pricing and the Macroeconomy
   • CAPM
   • Equity Premium and Asset Pricing Puzzles
   • Tobin's Q
   • Yield curve

3. Monetary Policy and Fiscal Policy
4. Models with Financial Intermediaries
5. Models with Housing

Keywords

Learning Outcomes
By the end of the course, the student must be able to:
• Construct a general equilibrium model of an economy
• Analyze what drives intertemporal choices (savings, etc)
• Model financial decisions
• Develop an economic model encompassing financial decisions
• Assess / Evaluate the effect of financial decisions on macroeconomic variables

Macrofinance
• Assess / Evaluate the effect of macroeconomic events
• Expound the role of monetary and fiscal policies and their effects on the macroeconomy
• Analyze what drives asset prices
• Derive testable implications for asset prices
• Search and collect appropriate data
• Test hypotheses using data

Transversal skills
• Plan and carry out activities in a way which makes optimal use of available time and other resources.
• Use a work methodology appropriate to the task.
• Give feedback (critique) in an appropriate fashion.
• Continue to work through difficulties or initial failure to find optimal solutions.
• Access and evaluate appropriate sources of information.
• Collect data.

Teaching methods
Lectures will take place on Wednesday, 9:15 to 12:00. Lectures will focus on how to develop a macroeconomic model that integrates financial markets. Lectures will first present the theory and then discuss the empirical relevance and applications.

Exercises will take place on Monday, 13:15 to 15:00. Students must bring their own laptop to exercise sessions. Exercise time will focus on solving the problem sets, doing exercises related to class material, and carrying out applications of what you learned in class. Students will be divided in groups and given a project that must be returned in the last week of class.

Expected student activities
Problem sets will be given out on a Wednesday and need to be returned to the instructor at the beginning of class the following Wednesday. The solution to the problem set will be posted on the class web page. Late problem sets are not accepted.

Each student must turn in his/her problem set.
Problem sets will range from analytical derivation of results to data analysis and testing, and to coding a simple macroeconomic model to calculate its steady state and to analyze its dynamic response to a macroeconomic shock.

Coding will be done in Matlab.

The problem sets are extremely important as they are the best way for the student to learn the material and do well in the exams.

Assessment methods
30% Problem sets
30% Midterm Exam
40% Final Exam

Supervision
Office hours Yes
Assistants Yes
Forum No

Resources
Virtual desktop infrastructure (VDI)
Yes
Bibliography

Main textbook:

Other

Ressources en bibliothèque

- Recursive Macroeconomic Theory / Ljungqvist
- Advanced macroeconomics / David Romer
- Foundations of International Macroeconomics / Obstfeld

Notes/Handbook

A full set of course notes will be posted on the class web page after class. Notice that the course material is password restricted.

Moodle Link