Econ 236 B: Aggregate Economics (Second Part)

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Spring 2014

Lectures: 9:30-11:30am, 648 Evans
Office Hours: Tuesday 4:15 pm-5:30 pm , F 614 Haas

This course investigates the importance of financial frictions in the macroeconomy from a theoretical and empirical point of view. The course is divided into three parts: financial frictions and firms, financial frictions and households and financial frictions and monetary policy.

1 Financial Frictions and Firms

1.1 Theory: Amplification effect of financial frictions (3/11)

- Kiyotaki,N., & Moore, J. (1997). Credit cycles. Journal of Political Economy, 105(2), 211-248.
- Brunnermeier, M. K., & Sannikov, Y. (2014). A macroeconomic model with a financial sector. The American Economic Review, 104(2), 379-421.

1.2 Empirical Evidence on the Importance of Financial Frictions (3/18)

- Greenstone, M., & Mas, A. (2012). Do credit market shocks affect the real economy? quasi-experimental evidence from the great recession and normal economic times.
- Chodorow-Reich, G. (2014). The Employment Effects of Credit Market Disruptions: Firm-level Evidence from the 2008–9 Financial Crisis. The Quarterly Journal of Economics, 129(1), 1-59.
- Beck, T., Levine, R., & Levkov, A. (2010). Big bad banks? the winners and losers from bank deregulation in the united states. The Journal of Finance, 65(5), 1637-1667.

2 Financial Frictions and Households

2.1 Empirical Evidence (4/1)

- Campbell, J. Y. (2006). Household finance. The Journal of Finance, 61(4), 1553-1604.
- Johnson, D., Parker, J., & Nicholas Souleles, N. S. (2006). Consumption and Tax Cuts: Evidence from the randomized income tax rebates of 2001. American Economic Review, 96, 1589-1610.
- Parker, J. A., Souleles, N. S., Johnson, D. S., & McClelland, R. (2013). Consumer Spending and the Economic Stimulus Payments of 2008. The American Economic Review, 103(6), 2530-2553.
- Broda, C., Parker, J., The Economic Stimulus Payments of 2008 and the Aggregate Demand for Consumption , 2012
- Gross, D. B., & Souleles, N. S. (2002). Do Liquidity Constraints and Interest Rates Matter for Consumer Behavior? Evidence from Credit Card Data. The Quarterly journal of economics, 117(1), 149-185.

- Kreiner, C. T., Lassen, D. D., & Leth-Petersen, S. (2014). Liquidity Constraint Tightness and Consumer Responses to Fiscal Stimulus Policy.

2.2 Theory: Households and Incomplete Markets (4/8)

- Aiyagari, S. R. (1994). Uninsured idiosyncratic risk and aggregate saving. The Quarterly Journal of Economics, 109(3), 659-684.
- Guerrieri, V., & Lorenzoni, G. (2011). Credit crises, precautionary savings, and the liquidity trap (No. w17583). National Bureau of Economic Research.
- Kaplan, G., & Violante, G. L. (2014). A Model of the Consumption Response to Fiscal Stimulus Payments. Forthcoming Econometrica

2.3 Household Finance and the Great Recession (4/15)

- Mian, A., & Sufi, A. (2011). House prices, home EquityBased borrowing, and the US household leverage crisis. The American Economic Review, 101(5), 2132-2156.
- Mian, A., Rao, K., & Sufi, A. (2013). Household Balance Sheets, Consumption, and the Economic Slump. The Quarterly Journal of Economics, 128(4), 1687-1726.
- Kermani, A., (2013), Cheap Credit, Collateral and the Boom-Bust Cycle

3 Financial Frictions and Monetary Policy

3.1 Background and Theory (4/22)

- Bernanke, B. S., & Gertler, M. (1995). Inside the black box: The credit channel of monetary policy. The Journal of Economic Perspectives, 9(4), 27-48.
- Iacoviello, M. (2005). House prices, borrowing constraints, and monetary policy in the business cycle. The American Economic Review, 95(3), 739-764.

3.2 Empirics (4/29)

- Kashyap, A. K., & Stein, J. C. (2000). What do a million observations on banks say about the transmission of monetary policy? American Economic Review, , 407-428.
- Jiménez, G., Ongena, S., Peydró, J. L., & Saurina, J. (2014). Hazardous Times for Monetary Policy: What Do Twenty Three Million Bank Loans Say About the Effects of Monetary Policy on Credit Risk Taking?. Econometrica, 82(2), 463-505.
- Landier, A., Sraer, D., & Thesmar, D. (2013). Banks' Exposure to Interest Rate Risk and The Transmission of Monetary Policy (No. w18857). National Bureau of Economic Research.
- Bernanke, B. S., & Kuttner, K. N. (2005). What explains the stock market's reaction to Federal Reserve policy?. The Journal of Finance, 60(3), 1221-1257.
- Ippolito, F., Ozdagli, A., & Perez, A. (2013). Is bank debt special for the transmission of monetary policy? Evidence from the stock market. Evidence from the Stock Market.