MACROFINANCE

Instructor: Moritz SCHULARICK

COURSE DESCRIPTION

This course will familiarize students with advanced research in macrofinance. A particular emphasis will be placed on causes and consequences of financial stability, on the link between credit markets and economic activity, as well as portfolio heterogeneity, asset returns, and inequality.

Introduction to macrofinance

Caballero, R. J. (2010). Macroeconomics after the crisis: time to deal with the pretense-of-knowledge syndrome. *Journal of Economic Perspectives*, *24*(4), 85-102. https://doi.org/10.1257/jep.24.4.85

Jordà, Ò., Schularick, M., & Taylor, A. M. (2016). The great mortgaging: housing finance, crises and business cycles. *Economic Policy*, *31*(85), 107-152. https://doi.org/10.1093/epolic/eiv017

Jordà, Ò., Schularick, M., & Taylor, A. M. (2017). Macrofinancial history and the new business cycle facts. *NBER Macroeconomics Annual*, *31*(1), 213-263. https://doi.org/10.1086/690241

Jordà, Ò., Schularick, M., & Taylor, A. M. (2013). When credit bites back. *Journal of Money, Credit and Banking*, *45*(s2), 3-28. https://doi.org/10.1111/jmcb.12069

Lopez-Salido, David, Jeremy C Stein, and Egon Zakrajsek (2017) Credit-market sentiment and the business cycle". *Quarterly Journal of Economics* https://doi.org/10.1093/qje/qjx014

Jordà, Ò., Kornejew, M., Schularick, M., & Taylor, A. M. (2022). *Zombies at large? Corporate debt overhang and the Macroeconomy* (No.28197). Review of Financial Studies, https://doi.org/10.1093/rfs/hhac018

Mian, A., Sufi, A., & Verner, E. (2017). Household debt and business cycles worldwide. *Quarterly Journal of Economics*, *132*(4), 1755-1817. https://doi.org/10.1093/qje/qjx017

Mian, A., & Sufi, A. (2018). Finance and business cycles: The credit-driven household demand channel. *Journal of Economic Perspectives*, 32(3), 31-58. https://doi.org/10.1257/jep.32.3.31

The Great Depression

Friedman, Milton and Anna Schwarz (1963) A Monetary History of the United States, Chapter 7, pp. 299-419, Princeton University Press.

Bernanke, Ben (1983), Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression, *American Economic Review*, Vol. 73, No. 3, pp. 257-276 https://www.jstor.org/stable/1808111

Bernanke, Ben (1995) The Macroeconomics of the Great Depression: A Comparative Approach. *Journal of Money, Credit and Banking*, Vol. 27, No. 1 (Feb., 1995), pp. 1-28

Eggertsson, Gauti B. (2008) Great Expectations and the End of the Depression. *American Economic Review*, 98 (4): 1476-1516. DOI: 10.1257/aer.98.4.1476

Eichengreen, Barry, and Jeffrey D. Sachs (1985), Exchange Rates and Economic Recovery in the 1930s. *Journal of Economic History* 45 (December 1985): 925-46. https://www.jstor.org/stable/2122825

Temin, Peter, and Barry Wigmore (1990), The End of One Big Deflation. *Explorations in Economic History*, 27. https://doi.org/10.1016/0014-4983(90)90026-U

Financial instability

Schularick, M., & Taylor, A. M. (2012). Credit booms gone bust: Monetary policy, leverage cycles, and financial crises, 1870-2008. *American Economic Review*, *102*(2), 1029-61. https://doi.org/10.1257/aer.102.2.1029

Baron, M., Verner, E., & Xiong, W. (2021). Banking crises without panics. *Quarterly Journal of Economics*, *136*(1), 51-113. https://doi.org/10.1093/qje/qjaa034

Funke, M., Schularick, M., & Trebesch, C. (2016). Going to extremes: Politics after financial crises, 1870–2014. *European Economic Review*, *88*, 227-260. https://doi.org/10.1016/j.euroecorev.2016.03.006

Jordà, Ò., Schularick, M., & Taylor, A. M. (2015). Leveraged bubbles. *Journal of Monetary Economics*, *76*, S1-S20. https://doi.org/10.1016/j.jmoneco.2015.08.005

Muir, T. (2017) Financial Crises and Risk Premia. *Quarterly Journal of Economics*, 132 (2): 765-809 https://doi.org/10.1093/qje/qjw045

Baron, M., & Xiong, W. (2017). Credit expansion and neglected crash risk. *The Quarterly Journal of Economics*, *132*(2), 713-764. https://doi.org/10.1093/qje/qjx004

Bordalo, P., Gennaioli, N., & Shleifer, A. (2018). Diagnostic expectations and credit cycles. *The Journal of Finance*, *73*(1), 199-227. https://doi.org/10.1111/jofi.12586

Fahlenbrach, Rüdiger, Robert Prilmeier, René M. Stulz (2018), Why Does Fast Loan Growth Predict Poor Performance for Banks? *Review of Financial Studies*, Volume 31, https://doi.org/10.1093/rfs/hhx109

Jordà, Ò., Richter, B., Schularick, M., & Taylor, A. M. (2021). Bank capital redux: solvency, liquidity, and crisis. *The Review of Economic Studies*, *88*(1), 260-286. https://doi.org/10.1093/restud/rdaa040

Asset returns, portfolios, and inequality

Benhabib, Jess, and Alberto Bisin. (2018) Skewed Wealth Distributions: Theory and Empirics. *Journal of Economic Literature*, 56 (4): 1261-91 DOI: 10.1257/jel.20161390

Derenoncourt, Ellora, Chi Hyun Kim, Moritz Kuhn, and Moritz Schularick. (2023). Wealth of two nations: The U.S. racial wealth gap, 1860-2020, Quarterly Journal of Economics https://doi.org/10.1093/qje/qjad044

Jordà, Ò., Knoll, K., Kuvshinov, D., Schularick, M., & Taylor, A. M. (2019). The rate of return on everything, 1870–2015. *Quarterly Journal of Economics*, *134*(3), 1225-1298. https://doi.org/10.1093/qje/qjz012

Kuhn, M., Schularick, M., & Steins, U. I. (2020). Income and wealth inequality in America, 1949–2016. *Journal of Political Economy*, *128*(9), 3469-3519. https://doi.org/10.1086/708815

Knoll, Katharina, Moritz Schularick, and Thomas Steger (2017). No Price Like Home: Global House Prices, 1870-2012. *American Economic Review*, 107 (2): 331-53 DOI: 10.1257/aer.20150501

Kuvshinov, D., & Zimmermann, K. (2021). The big bang: Stock market capitalization in the long run. *Journal of Financial Economics*. https://doi.org/10.1016/j.jfineco.2021.09.008

Piketty, T., & Zucman, G. (2014). Capital is back: Wealth-income ratios in rich countries 1700–2010. *The Quarterly Journal of Economics*, *129*(3), 1255-1310. https://doi.org/10.1093/qje/qju018