

Advanced Macroeconomics: The role of Financial Frictions

**DEFAP- Second year
(Delli Gatti)**

Aims and scope

This 12-hour course in **Advanced Macroeconomics** deals with the role of financial frictions in shaping macroeconomic performance. Since this is a short course and the papers I want to discuss are long and complex, I will focus on only three (possibly four, if I have time) models

Outline

I will present and discuss:

- How to cast the financial accelerator in a NK-DSGE framework: The benchmark model: Bernanke-Gertler-Gilchrist 1999 (BGG);
- M. Iacoviello, House Prices, Borrowing Constraints, and Monetary Policy in the Business Cycle, 2005
- Financial Intermediation and unconventional monetary policy in a DSGE framework: Gertler-Kiyotaki 2010 (GK)

If I have time I will discuss the implications of financial frictions in models with heterogeneous agents.

Reading List

- Bernanke, Ben, Mark Gertler and Simon Gilchrist. “The Financial Accelerator in a Quantitative Business Cycle Framework”, in Taylor, John and Michael. Woodford, eds., *Handbook of Macroeconomics*, Elsevier, 1999.
- M. Iacoviello, House Prices, Borrowing Constraints, and Monetary Policy in the Business Cycle, AER, 2005
- Gertler, Mark and Nobuhiro Kiyotaki (2010): “Financial Intermediation and Credit Policy in Business Cycle Analysis” in Friedman, Benjamin M., and Michael. Woodford, eds., *Handbook of Monetary Economics*, Elsevier.