

Dynamic Macroeconomics II

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Hours: By appointment, and just drop by.

Course Description

Readings:

We will mainly read recent articles.

Course structure:

This is a new course and it is intended to be an advanced course. The requirement is that each student produces a draft of a paper using actual data (joint papers are OK, but obviously need to be more substantial for a similar grade). Students will have present a 20-30 minute outline of their idea before the midterm (the amount of time for presentations will partly depend on enrollment in the class) and a presentation of results at the end of the semester.

I will start by covering some recent papers that interest me. We are reading new papers so your comments are very important, I may also change my mind about what to present as I read papers more carefully. Students' preferences may be accommodated, but you will need to voice them for that to happen!

I will start with the following topics:

- Leverage and Credit in the Great Recession
 - Brunnermeier, Markus, 2009. “Deciphering the 2007/8 Liquidity and Credit Crunch.” *Journal of Economic Perspectives* 23, 77-100.
 - Rajan, R., Zingales, L., 1995. “What Do We Know About Capital Structure? Some Evidence From International Data.” *Journal of Finance* 50, 1421–1460.
 - Lemmon, M.L., Roberts, M.R., Zender, J.F., 2008. Back to the Beginning: Persistence and the Cross-Section of Corporate Capital Structure. *Journal of Finance* 63, 1575–1608.
 - Kalemli-Ozcan, Sebnem, Bent E. Sørensen, and Sevcian Yesiltas (2012) “Leverage Across Firms, Banks, and Countries.” *Journal of International Economics*, Vol. 88, November 2012, 284–298.
 - Adrian, T., Shin H., 2010. “Liquidity and Leverage.” *Journal of Financial Intermediation* 19, 418–437.
 - Adrian, T., Shin H., 2009. Money, Liquidity and Monetary Policy. *American Economic Review (papers and proceedings)*, 99.
- The impact of credit shocks on firms

- Gertler, M. and S. Gilchrist, 1994, Monetary Policy, Business Cycles, and the Behavior of Small Manufacturing Firms, *Quarterly Journal of Economics*, 109, 309–340.
- Peek, J. and E. S. Rosengren, 2000, Collateral Damage: Effects of the Japanese Bank Crisis on Real Activity in the United States Collateral Damage: Effects of the Japanese Bank Crisis on Real Activity in the United States, *American Economic Review*, 90, 30–45.
- Iyer, R., S. Lopes, J-L Peydro, and Antoinette Schoar, 2014, Interbank Liquidity Crunch and the Firm Credit Crunch: Evidence From the 2007-2009 Crisis, *Review of Financial Studies*, 27 (1): 347-372.
- Ostergaard, Charlotte, Amir Sasson, and Bent E. Sørensen “Cash flow sensitivities and bank-finance shocks in nonlisted firms” (Note: This paper has not been successful and we are writing a simpler version, but a few sections are good for teaching firm’s accounts, I believe.)
- Misallocation of Capital
 - Alfaro, L., Charlton A., and Kanczuk F. (2008) “Firm-Size Distribution and Cross-Country Income Differences,” *NBER Working paper* No. 14060.
 - Bartelsman, E., Haltiwanger, J., and Scarpetta, S. (2009) “Cross Country Differences in Productivity: The Role of Allocation and Selection,” *NBER Working paper* No. 15490.
 - Banerjee, A. V. and Duflo, E. (2005) “Growth Theory Through the Lens of Development Economics,” in: Aghion, P. and Durlauf, S. (Eds.) *Handbook of Economic Growth*, Volume 1, 473-552. Amsterdam: Elsevier.
 - Bannerjee, A. V. and Moll, B. (2010) “Why Does Misallocation Persist?” *American Economic Journal: Macroeconomics* 2, 189-206.
 - Beck, T., Demirgüç-Kunt, A., Laeven, L., and Maksimovic, V. (2006) “The Determinants of Financing Obstacles,” *Journal of International Money and Finance* 25, 932-952.
 - Beck, T., Demirgüç-Kunt, A., and Maksimovic, V. (2005) “Financial and Legal Constraints to Growth: Does Size Matter,” *Journal of Finance* 60, 137-177.
 - Hsieh, C. and Klenow, P. (2009) “Misallocation and Manufacturing TFP in China and India,” *Quarterly Journal of Economics* 124, 1403-1448.
 - Restuccia, D. and Rogerson, R. (2008) “Policy Distortions and Aggregate Productivity with Heterogeneous Plants, *Review of Economic Dynamics* 11, 707-720.
- Production networks
 - Pol Antras, Pol and Davin Chor, 2013. ”Organizing the Global Value Chain,” *Econometrica*, 81, No. 6 (November), 2127-2204
 - Antras, Pol, Davin Chor, Thibault Fally, and Russell Hillberry, 2012. ”Measuring the Upstreamness of Production and Trade Flows,” *American Economic Review*, PPb, vol. 102(3), pages 412-16, May.
 - Gofman, Michael (2012) “Profitability, Trade Credit and Institutional Structure of Production” working paper.

- Kim, Se-Jik and Hyun Song Shin, (2012). “Sustaining Production Chains through Financial Linkages,” *American Economic Review*, vol. 102(3), pages 402-06, May.
 - Kim, Hyun Song Shin, Sebnem Kalemli-Ozcan, Bent E. Sørensen, and Sevcan Yesiltas (2014)
- Portfolio demand/Consumer Finance
 - Campbell, John, “Consumer Finance,” *Journal of Finance* 61, no 4., 1553-1604.
 - van Rooij, Maarten, Annamaria Lusardi and Rob Alessie (2011). “Financial literacy and stock market participation,” *Journal of Financial Economics*, Elsevier, vol. 101(2), pages 449-472, August.
 - Hryshko, Dmitry, Luengo-Prado, Maria. and Bent E. Sørensen (2012) “The Effect of Education on Equity Holdings.” *B.E. Journal of Economic Analysis & Policy (Contributions)*, Vol. 12(1), March 2012.
- Consumers in the Great Recession
 - Mian, Atif and Amir Sufi, (2011). “House Prices, Home Equity-Based Borrowing, and the US Household Leverage Crisis,” *American Economic Review*, vol. 101(5), pages 2132-56, August.
 - De Nardi, Mariacristina, Eric French, and David Benson, 2012. ”Consumption and the Great Recession,” *Economic Perspectives*, Federal Reserve Bank of Chicago, issue Q I, pages 1-16.
 - Alan, Sule, Thomas Crossley, and Hamish-Low, (2012). Saving on a Rainy Day, Borrowing for a Rainy Day. University of Cambridge, Working Paper.
 - Michelozzi, Lorenzo “Household Expenditures in the Great Recession,” Job Market Paper, Northwestern
 - Mian, Atif, Kamalesh Rao, and Amir Sufi, (2013). “Household Balance Sheets, Consumption, and the Economic Slump” Chicago Booth Working Paper.
 - Demyanyk-Hryshko-Luengo-Prado-Sørensen in progress