

Economic seminar (økonomisk øvelse) Spring 2012:

**The financial crisis and its macroeconomic repercussions**  
Danish title: Den finansielle krise og makroøkonomiske eftervirkninger

**Aim**

To get insight in theoretical and empirical aspects of the recent financial and economic crisis - with an emphasis on the macroeconomic perspective.

**Requisite qualifications**

In addition to BA level knowledge of macroeconomics, knowledge corresponding to at least one graduate course in macroeconomics (theory of nominal rigidities, New Keynesian theory, rational expectations, speculative bubbles, dynamic macro models in discrete and continuous time).

**Some themes**

1. Why does the economy fall to pieces after a financial crisis?
2. Basic theory of effective demand failures (the corridor hypothesis) (Leijonhufvud).
3. What is Say's law and what does it mean to reject it?
4. New Keynesian models and their extension with:
  - a) involuntary unemployment (Blanchard & Gali);
  - b) financial intermediation;
  - c) fixed capital investment (Kiyotaki).
5. Credit frictions, agency costs, and economic fluctuations:
  - a) bank lending channel (Bernanke, Gertler, Mishkin) ;
  - b) balance sheet channel (Kiyotaki and Moore).
6. The housing market and macroeconomics.
7. Theory of asset price bubble. How to test for bubbles?
8. Self-fulfilling expectations, animal spirits (Farmer, Akerlof & Shiller) .
9. Leverage and deleverage cycles (Geanakoplos, Eggertsson, Krugman).
10. History of financial crises (Reinhart and Rogoff).
11. Wage and price dynamics (wage curve and Phillips curve) (Blanchard, Hall).
12. Hysteresis in unemployment (Acemoglu, Ball, Blanchard).
13. Should monetary policy attempt to intervene if a speculative bubble seems underway? If so, how? (Roubini, Posen).
14. Liquidity trap and unconventional monetary policy.
15. Fiscal policy in a liquidity trap: short- and long-run implications.

**Introductory literature**

*Journal of Economic Perspectives*, vol. 24, no. 4, Fall 2010. Special issue on macroeconomics and the financial and economic crisis.