This part of the course covers topics related to modeling financial crises, the sources of fragility that make an economy susceptible to crises, and the optimal policy responses. Emphasis will be given to various forms of non-linear dynamics.

1 The policy debate: panic or deleveraging?


2 Deleveraging


3 Housing, house wealth effects, origins of the boom

- Daniel Greenwald. The mortgage credit channel of macroeconomic transmission. Working paper, MIT, 2018


4 Tools: continuous time and adjustment costs


5 Inefficiencies and macroprudential policy


• Anil K Kashyap and Guido Lorenzoni. Borrower and lender resilience. Working paper, Northwestern University, 2019

6 Models of panics


7 Amplification and propagation in financial accelerator models


- Luigi Bocola and Guido Lorenzoni. Risk sharing externalities. Working paper, Northwestern University, 2019

8 Nonlinear dynamics


9 Dynamics of expectations


- Pedro Bordalo, Nicola Gennaioli, Spencer Yongwook Kwon, and Andrei Shleifer. Diagnostic bubbles, Working Paper

10 The policy debate: what are the risks of high public debt?


11 Dynamics and crises in public debt markets


References


