UCLouvain

lecon2705

2018

Advanced Course in Economics V

5 credits	15.0 h	Q1 and Q2

Teacher(s)	Oikonomou Rigas ;
Language :	English
Place of the course	Louvain-la-Neuve
Aims	*The contribution of this Teaching Unit to the development and command of the skills and learning outcomes of the programme(s) can be accessed at the end of this sheet, in the section entitled "Programmes/courses offering this Teaching Unit".*
Evaluation methods	Students will present a paper in class in groups of 2-3. The final grade is awarded based on the presentation.
Content	This course offers a thorough overview of models of optimal fiscal/monetary policies and government debt management. The starting point is the analysis of Lucas and Stockey (1983) of a complete financial market. Within this framework we will consider the theory's implications for the optimal behavior of capital and labor taxation. We will also investigate how governments should issue debt and in what maturities in order to achieve fiscal solvency. In its second part, this course will study policies under incomplete financial markets. The optimal behavior of taxes will be analyzed but also the role of monetary policy in stabilizing governments budgets will be discussed. Finally the course will review recent advances in the field of government debt management under incomplete markets, including an analysis of data facts and the market microstructure. **Aims:** The course is rigorous and relies heavily on using dynamic optimization in microfounded economic models. We will resolve optimal policy problems mainly using Lagrangians but we will also consider representations of these problems with the Bellman equation. This course also has a macro-finance component, which pertains to the pricing of securities in which governments issue debt. A rigorous treatment of asset pricing within the context of macroeconomic models will be presented. Finally, we will solve the models with the computer and so the course will discuss numerical algorithms, with particular emphasis on the so called parameterized expectations algorithm.
Inline resources	Slides and computer programs are available on Moodle.

Bibliography	• Slides and computer programs are available on Moodle. *Aiyagari, R., Marcet, A., Sargent, T.J. and Seppala, J. (2002) **"Optimal Taxation without State-Contingent Debt**" Journal of Political Economy, 110, 1220-1254 Angeletos, G-M (2002) ''Fiscal policy with non-contingent debt and optimal maturity structure'', Quarterly Journal of Economics, 27, 1105-1131 Buera F. and J.P. Nicolini (2004) Optimal Maturity of Government Debt with Incomplete Markets, Journal of Monetary Economics, 51, 531-554 Campbell, J. (1995) ''Some lessons from the yield curve,'' Journal of Economic Perspectives 9, 129-152. *Chari, VV. Christiano, L. and Kehoe, P. (1994) ''Optimal Fiscal Policy in a Business Cycle Model,'' Journal of Political Economy, 102, 617-652 *den Haan, W. and Marcet, A. (1990) ''Solving the stochastic growth model by parameterizing expectations'' Journal of Business and Economic Statistics, 8, 31-34. Devereux M. and Sutherland, A. (2011) ''Country Portfolios in Open Economy Macro Models'' Journal of the European Economic Association, 9(2), 337-369. Faraglia, E, Marcet, A and Scott,A (2008). ''Fiscal Insurance and Debt Management in OECD Economies'' Economic Journal, Royal Economic Society, vol. 118(527), pages 363-386, 03 Faraglia, E., Marcet, A. and Scott. A (2010) In Search of a Theory of Debt Management , Journal of Monetary Economics, vol. 57, (7), 821-836. Faraglia, E., Marcet, A., Oikonomou, R. and Scott. A (2014 (a)) Optimal Fiscal Policy Problems with Complete and Incomplete Markets: A Numerical Toolkit, mimeo Faraglia, E., Marcet, A., Oikonomou, R. and Scott. A (2014 (b)) Government Debt Management: The Long and Short of It, mimeo Farhi, E. (2010) Capital Taxation and Ownership when Markets are Incomplete. Journal of Political Economy 118(5): 908-948. Greenwood, R. and Vayanos, D. (2010) Price Pressure in the Government Bond Market American Economic Review, PP 585-590. Judd. K., Maliar, L., and Maliar. S (2011 (a)) Numerically Stable and Accurate Stochastic Simulation Methods for Solving Macro Models, Quantitative Economics 2, 173-210 Judd. K., Maliar, L., and Maliar. S (2012) Merging Simulation and Projection Approaches to Solve High-Dimensional Problems NBER paper 18501 Krueger, D. and Kubler. F (2004) Computing equilibria in OLG economies with stochastic production , Journal of Economic Dynamics and Control 28, 1411-1436 Lustig. H., Christopher Sleet. C., and Yeltekin. S (2008) 'Fiscal Hedging with Nominal Assets', Journal of Monetary Economics 55, (4), 710-727 Lustig. H., Christopher Sleet. C., and Yeltekin. S (2011) '' How does the US Government Finance Fiscal Shocks'', American Economic Journal: Macroeconomics 4, (1), 69-104 Marcet, A and Marimon. R (2012) ''Recursive Contracts'' Mimeo Marcet, A and Scott. A (2009) ''Debt and Deficit Fluctuations and the Structure of Bond Markets'' Journal of Economic Theory 144, 473-501 Marcet, A and Singleton. K (1999) ''Equilibrium Asset Prices and Savings in a Model with Heterogeneous Agents, Incomplete Markets and Liquidity Constraints'', Macroeconomic Dynamics, 3, June: pp 243-276. Schmitt-Grohe. S. and Uribe. M (2004) Optimal Fiscal and Monetary Policy Under Sticky Prices, Journal of Economic Theory, 114 198-230 Scott, A. (2007) ''Optimal Taxation and OECD Labor Taxes'' Journal of Monetary Economics, 54 (3), 925-944 Siu. H (2004) Optimal fiscal and monetary policy with sticky prices Journal of Monetary Economics, 51, 575-607 Shin, Y. (2007) Managing the Maturity Structure of Government Debt, Journal of Monetary Economics, Journal of Monetary Economics, 54, 1565-1571.
Faculty or entity in charge	ECON

Programmes containing this learning unit (UE)				
Program title	Acronym	Credits	Prerequisite	Aims
Master [120] in Economics: Econometrics	ETRI2M	5		