Coverage: This course studies the role that frictions, particularly financial frictions, play in resource allocation. I am going to suggest some material to cover, based on topics I am currently or have recently worked on. But I am open to your suggestions as well.


Currently, I am trying to sort out how to mate the auction model of CNO will a standard quantitative sovereign default model, like Arellano. I plan on talking through aspects of that project and how to implement it.

Textbook: The main textbook is Ljungqvist and Sargent, Recursive Macroeconomic Theory. But this is just for background reading, and I will also suggest some other readings below.

Tentative Syllabus

1. Preferences - review several preference models which are heavily used

2. Asset Pricing - cover essentials
   - Cochrane Asset Pricing
   - Guirro - rare disasters
   - Bansal-Yaron - Long Run Risks
3. Incomplete Market Models + Default

- Sovereign debt with default - additional readings Aguiar and Amador *Sovereign Debt: A Review*
- Arellano - sort out code in https://julia.quantecon.org/multi_agent_models/arellano.html
- Aguiar, Chatterjee, Cole and Stangebye
- World Financial Cycles, Bai et al

4. Models with Private Information

- Grossman-Stiglitz
- Auction models: Cole, Neuhan, and Ordonez
- **Mate Arellano model with CNO pricing.**

5. Limited Commitment Models

- Standard Model
- Kehoe-Levine Eq. and Alvarez-Jermann decentralization
- Hellwig-Lorenzoni
- International RBC with limited commitment
- Group deviations - Cole, Krueger, Mailath and Park.

6. Asset trading technologies and the macroeconomy

- Optimal Taxation w/out State Contingent Debt - AMSS
- Chien-Cole-Lustig Model