Econ 712: Topics in Macroeconomic Theory

Fall 2020

University of Pennsylvania

Instructor: Alessandro Dovis
Office: PCPE 537
Email: adovis@upenn.edu
Time of Class: Fridays 10am-1pm
Room: zoom (link available on canvas)
Office Hours: by appointment.

Course description This class will cover topics at the intersection between macroeconomics and international finance. Applications will include: endogenously incomplete markets and the optimality (or not) of government interventions, positive and normative model of government debt determination, exchange rates and theory of optimal currency areas, monetary policy and risk premia. On the methodological side, we will study how to use tools from dynamic game theory and mechanism design to analyze optimal policy when the government lacks commitment and optimal markets arrangements with lack of commitment and private information.


Expectations I will regularly assign you problem sets and there would be a take home exam at the end of the class. Some of you will be asked to present the solutions of the problem set to the class. I expect you to actively participate in class.

Topics I will tentatively cover (a subset of) the following topics, in particular papers with a “*”:

1. Optimal taxation with and without commitment

Positive and normative model of government debt determination:

- Ch. 16, RMT4. Optimal Taxation with Commitment
- Ch. 20, RMT4. Two Ramsey Problems Revisited


Policy without commitment:

• Ch. 24. Credible Government Policies, I

• Ch. 25. Credible Government Policies, II


Unique implementation:


Policy design (if time allowed)


Bailouts


2. Dynamic contracts

- Ch. 21, RMT4. Insurance Versus Incentives
- Ch. 22, RMT4. Equilibrium without Commitment

• *Dovis, Alessandro. "Efficient Sovereign Default" (2017).*


3. Debt and default


4. Monetary policy and asset prices

Policy in New Keynesian Model:


Monetary policy and risk premia:


Quantitative Easing

- ...

Monetary and Fiscal policy