

Organization of EIEF Graduate Program

2016 – 2017

The Graduate Program at EIEF focuses on four fields: Applied Microeconomics, Econometrics, Finance, and Macroeconomics. It consists of courses and reading groups taught by EIEF faculty, topics courses and special lectures taught by EIEF visitors, the weekly seminars.

The program is organized into three terms: Fall, Spring and Summer. The Fall and Spring terms each consist of 13 weeks divided into two equal parts of 6 weeks, separated by a mid-term break of one week. The Summer term is shorter, and comprises June and July.

The courses taught by EIEF faculty consist of 20 hours of lectures each, with an "hour" conventionally defined as 50 minutes of actual lecturing plus 10 minutes of pause between lectures. Taught courses may be organized over either 5 or 10 weeks (with, respectively, 4 or 2 hours of lectures per week). Topics courses and reading groups usually consist of about 10 hours each, while special lectures do not have a fixed format. There are two regular weekly seminars, one in Economics and one in Econometrics and Empirical Economics, plus a lunchtime seminar that meets less regularly. The Summer Lectures consists of special lectures offered by EIEF visitors, plus workshops/seminars. The Summer term also includes the 6th Rome Junior Conference on Macroeconomics (aka Pizzanomics) and the 2nd Rome Junior Conference on Applied Microeconomics. Attendance to the workshop provides students a valuable learning experience.

In the first part of the Fall Term (from mid September to the end of October), EIEF offers review courses in Econometrics, Macroeconomics, Microeconomics and Finance, followed by a final exam. These courses are meant to review, at an advanced level, key methods and results from each of the four fields. They cover material that the students should already know, and should allow students to self-assess their own background training and possibly identify those areas where they need to catch up. Each review course consists of 20 hours of lectures distributed over 5 weeks.

To avoid excessive burden, students are encouraged not to take more than 12 hours of taught courses each week. To test progress in the program, one-week take-home exams are given at the end of January and in mid June.

Calendar of activities

Fall Term:

- First part (review courses): September 19–October 21, 2016
- Deadline for selecting courses to take in the Fall Term: October 21, 2016
- Midterm break: October 24–October 30, 2016
- Exams (review courses): October 31– November 4, 2016
- Second part: November 7–December 16, 2016
- Fall Term take-home exams: January 16 – 23, 2017

Spring Term:

- Deadline for selecting courses to take in the Spring Term: January 31, 2017
- First part: February 6–March 17, 2017
- Midterm break: March 20–March 26, 2017
- Second part: March 27–May 5, 2017
- Spring Term take-home exams: June 5 – 12, 2017.

Summer Term:

- EIEF Summer Lectures and Seminars: June–July, 2017
- 1st Rome Junior Conference on Applied Microeconomics: June 2017
- 4th Rome Junior Conference on Macroeconomics (aka Pizzanomics): June, 2017

Taught courses and reading groups

Applied Microeconomics (coordinator: Andrea Pozzi)

The sequence of courses in applied microeconomics aims at building the tools to do frontier applied research in IO, labor and experimental economics. Students are required to take at least three taught courses from the sequence and at least one reading group. Students choosing applied microeconomics as a field are strongly encouraged to also take econometrics. Corporate finance is also a good complement to the IO classes.

Fall Term:

Module I: September 19–October 21

- Microeconomics Review Course (20 hours) (Daniele Terlizzese)
Preferences and utility, choice under uncertainty. Consumer theory. The competitive firm. General equilibrium and welfare. Information economics.

Module II: November 7–December 16

- Empirical Industrial Organization (20 hours) (Andrea Pozzi)
Demand estimation: homogeneous and differentiated goods; demand and competition with search costs. Entry games: static entry with complete and incomplete information
- Behavioral and Experimental Economics (20 hours) (Giovanni Ponti)

The proposed course is an introduction to the theory and practice of experimental economics, with a special focus on the behavioral analysis of: 1. individual (and interactive) decision making under risk and ambiguity; 2. risk, time and social preferences; 3. behavioral finance.

Since the ultimate goal is to design and run economic experiments, we shall complement the review of the existing experimental literature on these themes with a survey on methodological and design issues, together with a review of some popular statistical tools used to analyze behavioral data.

Spring Term:

Module III: February 6–March 17

- Topics in Auctions and Public Procurement (20 hours) (Francesco Decarolis, Giancarlo Spagnolo)
Description TBA

Module IV: March 27–May 5

- Economics and Politics (20 hours) (Marco Battaglini, Stefano Gagliarducci)
Battaglini: Focused on analytical models of political institutions, this course is organized around canonical models and their applications. These include models of electoral competition, voting behavior, bargaining in legislatures, lobbying, communication and cheap talk games, information aggregation in elections.
Gagliarducci: Randomized experiments, regression discontinuity design and difference-in-difference estimators applied to models of preferences aggregation, electoral competition, political agency, legislative organization and bureaucracy.

Econometrics (coordinator: Franco Peracchi)

The sequence of courses in econometrics aims at providing students with the necessary tools to carry out frontier empirical work in either macroeconomics or microeconomics. It is also the primary field for students whose main interest is econometric theory and its micro or macro applications. During the year, students are required to take at least three taught courses from the sequence and the reading group.

Fall Term:

Module I: September 19–October 21

- Econometrics Review Course (20 hours) (Marco Lippi, Giuseppe Ragusa)
Multivariate ARMA models. Structural VAR models. Cointegration. GARCH and stochastic volatility models. Asymptotic theory for linear and nonlinear estimators. IV and GMM. Models for discrete and limited dependent variables. Panel data models.

Module II: November 7–December 16

- Latent Variable Models (20 hours) (Francesco Bartolucci)
Latent variables and unobserved heterogeneity. The EM algorithm. Generalized linear mixed models. Latent class and latent regression models. Models for panel data based on the state-space formulation. Latent Markov models.

- Topics in Macroeconometrics (20 hours) (Marco Lippi)
Relative importance of permanent and transitory components in GDP growth. Trend-stationary and difference-stationary models. Unobserved components models. Supply and demand components. Real business cycle (RBC) theory. New Keynesian approach vs. RBC.

Spring Term:

Module III: February 6–March 17

- Topics in VAR Modeling (20 hours) (Massimo Franchi)
Representation and inference in stationary and co-integrated systems. Common cyclical features.
- Finite Mixture Models (20 hours) (Roberto Rocci)
Finite mixture models for nonparametric estimation of probability density functions and for unsupervised classification. EM algorithm and ML estimation of mixture models. Finite mixture of linear regression models. Choice of the number of components.
- Econometrics of DSGE Models (20 hours) (Giuseppe Ragusa)
This is a course on the econometric techniques used in estimating dynamic macroeconomic models (DSGE models).

Module IV: March 27–May 5

- Advanced Econometrics (27 hours) (Alberto Holly – HEC Lausanne)
The purpose of the course is to increase students' knowledge in Advanced Econometrics by deepening some of the topics that they may have learned earlier, or by introducing new concepts. Students should be able, to better understand the theoretical basis of advanced estimation and hypothesis testing procedures proposed in the recent literature. They should also be able to prove the statistical properties of the estimators or testing procedure that they may develop for their PhD Thesis.

Finance (coordinator: Luigi Guiso)

The sequence of courses in Finance is targeted to students who already have a basic knowledge of asset pricing and corporate finance. It is designed to equip them with the analytical tools and econometric techniques that are necessary to carry out research in these areas. The sequence starts with a review of the theory of corporate finance, and then proceeds to two parallel courses in theoretical asset pricing and empirical corporate finance. The Spring term includes four courses: in the first part, a course on empirical asset pricing and one on household finance. In the second part, a course that addresses selected topics in asset pricing and another that focuses on the microeconomics of banking. If time permits, the finance sequence will be rounded off by a reading group.

Fall Term:

Module I: September 19–October 21

- Finance Review Course (20 hours) (Sergio Scarlatti, Stefano Herzel)
The aim of the course is to provide an introduction to the theory of mathematical finance. It is divided into two parts: the first part will present some basic results on Stochastic Processes that are necessary for the study of continuous time models. The second part will show some fundamental results in the theory of Asset Pricing and the Black-Scholes model for option pricing.

Module II: November 7–December 16

- Theoretical Asset Pricing (20 hours) (Nicola Borri)
Consumption-based asset pricing. Contingent claims, discount factors and mean-variance frontiers. Factor pricing models, models with habit formation, models with long-run risk. Topics in empirical asset pricing. Portfolio theory.
- Corporate Finance (20 hours) (Sergei Kovbasyuk)
Firm valuation, capital structure in perfect markets, financing capacity and agency costs (managerial incentives, credit rationing, liquidity and risk management, lemons problem and market freeze), security design. Some macroeconomic implications of corporate finance (capital squeeze, credit crunch).

Spring Term:

Module III: February 6–March 17

- Household Finance (20 hours) (Luigi Guiso)
Definition of the field, measurement of household preferences and beliefs; the assets side: portfolio allocation and portfolio puzzles; trading, rebalancing; life cycle assets allocation and management. The liability side: choice of mortgages, debt management, default decisions. Household financial capabilities; consumer protection.

Module IV: March 27–May 5

- Evidence and Methodologies in Empirical Banking (20 hours) (Alberto Franco Pozzolo)
The course presents a critical review of the major contributions of the empirical literature on the role of banks. Topics covered include: the role of financial intermediaries; the characteristics of lender-borrower relationships and the role of soft and hard information; multinational banking and the role of distance; credit risk transfer; the recent financial crisis. Particular emphasis will be devoted to the discussion of the econometric techniques used in the empirical analysis.

Macroeconomics (coordinator: Pierpaolo Benigno)

The Macroeconomics field is organized in two sub-fields: Macro Theory and Monetary Economics. After a joint review course, the two sub-fields develop in a parallel way across the Fall and Spring terms.

The Monetary sub-field focuses on modern theories of money, the role of monetary policy in models with and without price rigidities and under different price-adjustment mechanisms or

information constraints. DSGE models are analyzed both from a theoretical and an empirical perspective.

The Macro Theory sub-field consists of only one course for the next year centered on policy analysis where optimal–taxation problems are analyzed as well as a recent literature addressing macro-prudential regulation.

Students are also required to participate in the Macro Reading Group during the Spring term. Special mini courses related to the field might also be taught by visiting professors. Students are encouraged to sit in these classes.

Fall Term

Module I: September 19–October 21

- Macroeconomic Review Course (20 hours) (Pierpaolo Benigno, Francesco Lippi)
Review of consumption theory in deterministic and stochastic environments, and under complete and incomplete markets. Basics of asset pricing. Investment. Real business cycle models.

Module II: November 7–December 16

- International Macroeconomics (20 hours) (Kirill Shakhnov)
Current account, valuation effects and global imbalances, asset trade and diversification, sovereign risk and moral hazard, debt crises and bailouts, debt redemption. Three generation of currency crisis; modelling, sovereign lending and default, the reputation approach and the punishment approach; models of self-fulfilling default.
- Macroeconomic Theory: Economics of Innovation and Growth (20 hours) (Salomé Baslandze)
Starting from canonical models of exogenous and externalities-driven growth we will move to the models of innovation-driven growth: expansion variety and quality ladder models. The course will then center around studying more recent literature on firm dynamics and productivity growth as well as dig into current literature on misallocation. The goal of the course is to provide understanding of the mechanics of modern growth theory as well as think about quantitative implications and empirical underpinnings of modern models of firm dynamics, innovation and growth.

Spring Term

Module III: February 6–March 17

- Macroeconomic Theory: Heterogenous-Agent Models (20 hours) (Facundo Piguillem)
This course will review in detail the literature on Stochastic Dynamic Programming. We will start studying a canonical recursive problem. We will learn how to show the existence, uniqueness (or not) and main properties of bellman equations. The goal in these lectures is to build a toolbox that allows students to prove analogous results in less standard models. Then we move to Aiyagari-Bewley-Hugget economies and Angeletos' model of un-insured investment risk. We analyze in detail the main

characteristic and implications of self-insurance standard model using the martingale convergence theorem and show the existence and uniqueness (or not) of a wealth distribution in general equilibrium. Finally we study how to analyze these models when there is aggregate uncertainty and new versions of it like "HANK".

Module IV: March 27–May 5

- Monetary Economics: Empirical Macro (20 hours) (Jean-Paul L’Huillier)
Solution of DSGE models. Estimation through VARs. Structural estimation.
- Macroeconomic Theory: Financial Frictions (20 hours) (Juan Passadore)
The course presents different frameworks to think about the implications of financial frictions on the macro-economy with a particular emphasis on understanding the causes of financial crises, whether there is a role of policy to mitigate them, and if so, what would be desirable policies. To do so, the course will familiarize students with the following questions and some of the answers proposed by the literature. What are the aggregate effects of contracting and information frictions in the financial market? How shocks are amplified under these frictions? Are policy interventions welfare improving? Under what conditions there is a role for macro-prudential regulation? The course will also study bank runs, panics, contagion, bubbles, liquidity; always, with financial crises as the motivation.

Weekly seminars

- Economics (Monday, 5:30-7 pm)
- Econometrics (Thursday, 5:30-7 pm)
- Lunchtime seminar (1-2 pm)

Special Lectures

Fall Term:

- TBA

Spring Term:

- TBA

Summer Lectures and Seminars

Summer lectures and seminars are meant to provide, in a lunch seminar style, a quick overview of recent frontier research in a variety of broad areas. All the lecturers and speakers will be visiting EIEF, and will be available for interaction. A detailed program will be posted later in the year.