The Econometrics of Fiscal Policy

Advanced Macroeconometrics, Block III 2019, EUI

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Course Overview:

The main objective of the course is to introduce seminal papers and research questions with high empirical content and relevance in fiscal policy. The emphasis will be on econometric methods generally used in empirical macroeconomics. We will discuss identification in macroeconomics through structural, quasi-experimental (narrative), and non-parametric (local projections) approaches, and compare the merits of these various approaches.

This course will follow an "inductive" approach. We will start from the facts and questions typically asked in fiscal policy, then review the econometrics tools used in light of these facts, and finally we will relate to existing empirical applications. My hope is that you may find some inspiration potentially for a chapter of your thesis. (This course complements Axelle’s one, so if you also take her course, this will assist you to obtain a complete applied fiscal toolbox. Of course, none of the courses are a prerequisite for the other.)

Evaluation:

The evaluation will be based on: 1) the replication of the main results of an empirical paper (in groups of two), and 2) a short-presentation of a recent paper. For both, I shall give you a list of papers - among which to choose- at the very beginning of the block.

Tentative Outline and Syllabus:

1. Introduction. a) Causality in Macroeconomics and the fiscal multiplier, b) Reduced-form and structural-VARs.


2. Identification (and issues of invertibility, anticipations, curse of dimensionality) based on VARs.


• M. Forni and L. Gambetti, Sufficient Information in Structural VARs, Center for Economic Research (RECent) 062, 2011.


4. a) Local projections, b) State-dependent fiscal multipliers.


5. Fiscal Spillovers: Global VARs.


Textbooks: