

# EUI Doctoral Program in Economics 2018

## Topics in Quantitative Macroeconomics

### Syllabus

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**Aim of the course:** This course will explore recent advancements in quantitative macroeconomics from a perspective that emphasizes incomplete markets and household heterogeneity. The course will cover the integration of frictional markets for housing and labor into incomplete markets models and study their implications for booms and busts in the housing market, unemployment fluctuations, household default decisions and the transmission to the macroeconomy. The course will also cover the integration of nominal rigidities into incomplete markets models to analyze monetary and fiscal policy and the implications for price level determinacy.

**Office hours:** By appointment

**Assessment:** The assessment will consist of two parts. First, the students will have to write a referee report on one of the list of papers below. Second, the students will be required to write a project proposal for a research topic they would be interested in pursuing following the topics discussed in the course. Both the referee report and proposal will be due via email at 17:00 on Friday 18 May 2018.

### Course Outline

1. Introduction to Quantitative Macroeconomics. Heterogeneity and business cycle analysis
  - Krueger, D., Mitman, K., and Perri, F. (2016). Macroeconomics and heterogeneity, including inequality. In Taylor, J. and Uhlig, H., editors, *Handbook of Macroeconomics, second edition*. Elsevier
  - Krusell, P. and Smith, A. A. (1998). Income and wealth heterogeneity in the macroeconomy. *Journal of Political Economy*, 106(5):867–896
2. Incomplete markets, heterogeneity, and monetary policy

- Gornemann, N., Kuester, K., and Nakajima, M. (2012). Monetary policy with heterogeneous agents. Working paper 12-21, Federal Reserve Bank of Philadelphia
- Kaplan, G., Moll, B., and Violante, G. (2016). Monetary policy according to hank. Working paper
- Werning, I. (2015). Incomplete markets and aggregate demand. Working paper
- Auclert, A. (2016). Monetary policy and the redistribution channel. Working paper
- Lütticke, R. (2015). Transmission of monetary policy with heterogeneity in household portfolios. Working paper
- Hagedorn, M., Manovskii, I., and Mitman, K. (2017). Monetary policy in incomplete market models: Theory and evidence. mimeo

### 3. Fiscal Policy, Price Level Determinacy, Unconventional Monetary Policy

- McKay, A., Nakamura, E., and Steinsson, J. (2015). The power of forward guidance revisited. Working paper. forthcoming, American Economic Review
- Hagedorn, M., Manovskii, I., Luo, J., and Mitman, K. (2018a). Forward guidance. mimeo
- Cochrane, J. H. (2015). The new-keynesian liquidity trap. Working paper, University of Chicago Booth School of Business
- Hagedorn, M., Manovskii, I., and Mitman, K. (2018b). The fiscal multiplier. available at <http://papers.nber.org/sched/efgw18>
- Hagedorn, M. (2016). A demand theory of the price level. Working paper, University of Oslo
- Hagedorn, M. (2018). Prices and inflation when government bonds are net wealth. Working paper, University of Oslo
- Brinca, P., Holter, H. A., Krusell, P., and Malafry, L. (2016). Fiscal multipliers in the 21st century. *Journal of Monetary Economics*, 77:53 – 69
- Oh, H. and Reis, R. (2012). Targeted transfers and the fiscal response to the great recession. *Journal of Monetary Economics*, 59, Supplement:50 – 64
- McKay, A. and Reis, R. (Forthcoming). The role of automatic stabilizers in the u.s. business cycle. *Econometrica*
- Farhi, E. and Werning, I. (2013). Fiscal multipliers: Liquidity traps and currency unions. mimeo
- Bhandari, A., Evans, D., Golosov, M., and Sargent, T. (2017). Fiscal policy and debt management with incomplete markets. *Quarterly Journal of Economics*
- Bhandari, A., Evans, D., Golosov, M., and Sargent, T. (2018). Inequality, business cycles and monetary-fiscal- policy

### 4. Precautionary savings, Labor market risk and Aggregate Fluctuations

- Ravn, M. O. and Sterk, V. (2018). Macroeconomic fluctuations with hank & sam: an analytical approach. Working paper
- Bayer, C., Lütticke, R., Pham-Dao, L., and Tjaden, V. (2015). Precautionary savings, illiquid assets, and the aggregate consequences of shocks to household income risk. Working paper. Revise and resubmit, *Econometrica*

- Den Haan, W., Rendahl, P., and Riegler, M. (2015). Unemployment (fears) and deflationary spirals. CEPR Discussion Paper 10814
- Ravn, M. O. and Sterk, V. (2013). Job uncertainty and deep recessions. Working paper. conditionally accepted, Journal of Monetary Economics
- Guerrieri, V. and Lorenzoni, G. (2015). Credit crises, precautionary savings, and the liquidity trap. mimeo

## 5. Housing and Aggregate Fluctuations

- Kaplan, G., Mitman, K., and Violante, G. (2017). The housing boom and bust: Model meets evidence. Working paper
- Hedlund, A. (2015). Failure to launch: Housing, debt overhang, and the inflation option during the great recession
- Hedlund, A., Karahan, F., Mitman, K., and Ozkan, S. (2016). Monetary policy, heterogeneity and the housing channel. Working paper