

## HOUSING AND THE MACROECONOMY

Topics class, European University Institute, Spring 2013

Professor: Antonia Díaz

Office hours: by appointment

### COURSE DESCRIPTION

In this class we will review key and recent contributions in the field of Macroeconomics that explicitly model housing tenure decisions and residential investment, either at the macro or the micro level, to study various issues that are part of the public debate nowadays such as, for instance: How does residential investment contribute to shape the business cycle? Can we understand the recent housing boom? What is the quantitative effect of financial markets liberalization and opening up to international trade? Is there a consumption wealth effect? From a microeconomic perspective: do homeowners respond differently to uninsurable idiosyncratic risks? Why?

The objective of this class is to highlight key issues that, in the light of recent events, are likely to be an important part of the research agenda in this topic.

### ASSIGNMENTS AND GRADING

It has not been decided completely yet, but surely students enrolled in the class will have to write a referee report on a recent article not published yet.

### TOPICS AND TENTATIVE LIST OF READINGS

We will review some of the papers listed here. The list is not exhaustive as of yet. The references will be updated in real time.

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### MODELLING HOUSING AND SOME EVIDENCE

1. Morris A. Davis & Jonathan Heathcote, 2005. "Housing And The Business Cycle," *International Economic Review*, vol. 46(3), pages 751-784, 08.
2. Davis, Morris A. & Heathcote, Jonathan, 2007. "The price and quantity of residential land in the United States," *Journal of Monetary Economics*, Elsevier, vol. 54(8), pages 2595-2620, November.
3. Piazzesi, Monika & Schneider, Martin & Tuzel, Selale, 2007. "Housing, consumption and asset pricing," *Journal of Financial Economics*, Elsevier, vol. 83(3), pages 531-569, March.

*Housing and the Macroeconomy*, Antonia Díaz, 1/2/13

4. Edward E. Leamer, 2007. "Housing IS the Business Cycle," NBER Working Papers 13428, National Bureau of Economic Research, Inc.
5. Antonia Díaz & María J. Luengo-Prado, 2010. "The Wealth Distribution With Durable Goods," *International Economic Review*, vol. 51(1), pages 143-170, 02.
6. Antonia Díaz & María J. Luengo-Prado, 2008. "On the User Cost and Homeownership," *Review of Economic Dynamics*, Elsevier for the Society for Economic Dynamics, vol. 11(3), pages 584-613, July.
7. Jonas D. M. Fisher, 2007 "Why Does Household Investment Lead Business Investment over the Business Cycle?," *Journal of Political Economy*, vol. 115, pages 141-168.
8. Jonas D. M. Fisher & Martin Gervais, 2011. "Why Has Home Ownership Fallen Among The young?," *International Economic Review*, vol. 52(3), pages 883-912, 08.
9. Randal Verbrugge, 2008. "The Puzzling Divergence Of Rents And User Costs, 1980-2004," *Review of Income and Wealth*, International Association for Research in Income and Wealth, vol. 54(4), pages 671-699, December.

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#### DETERMINANTS AND IMPLICATIONS OF HOME OWNERSHIP

10. Todd Sinai & Nicholas S. Souleles, 2005. "Owner-Occupied Housing as a Hedge Against Rent Risk," *The Quarterly Journal of Economics*, MIT Press, vol. 120(2), pages 763-789, May.
11. Raj Chetty & Adam Szeidl, 2007. "Consumption Commitments and Risk Preferences," *The Quarterly Journal of Economics*, MIT Press, vol. 122(2), pages 831-877, 05.
12. Matthew Chambers & Carlos Garriga & Don E. Schlagenhauf, 2009. "Accounting For Changes In The Homeownership Rate," *International Economic Review*, vol. 50(3), pages 677-726.
13. Matt Chambers & Carlos Garriga & Don Schlagenhauf, 2009. "The Loan Structure and Housing Tenure Decisions in an Equilibrium Model of Mortgage Choice," *Review of Economic Dynamics*, vol. 12(3), pages 444-468, July, 2009.
14. Nobuhiro Kiyotaki & Alexander Michaelides & Kalin Nikolov, 2011. "Winners and Losers in Housing Markets," *Journal of Money, Credit and Banking*, vol. 43, pages 255-296.
15. Hryshko, Dmytro & Luengo-Prado, María J. & Sørensen, Bent E., 2010. "House prices and risk sharing," *Journal of Monetary Economics*, vol. 57(8), pages 975-987, November.
16. Jonathan Halket & Michael Amior, 2012. "Do Households Use Homeownership To Insure Themselves? Evidence Across U.S. Cities," *Economics Discussion Papers 718*, University of Essex, Department of Economics.
17. Cerletti, Enzo & Pijoan-Mas, Josep, 2012. "Durable Goods, Borrowing Constraints and Consumption Insurance," *CEPR Discussion Papers 9035*, C.E.P.R. Discussion Papers.
18. Jonathan Halket & Santhanagopalan Vasudev, 2012. "Home Ownership, Savings, and Mobility Over The Life Cycle," *Economics Discussion Papers 712*, University of Essex, Department of Economics.
19. Demyanyk Yuliya, Hryshko, Dmytro & Luengo-Prado, María J. & Sørensen, Bent E., 2012. "Moving to a Job: The Role of Home Equity, Debt and Access to Credit," mimeo.

20. Raj Chetty & Adam Szeidl, 2010 "The Effect of Housing on Portfolio Choice," NBER Working Papers 15998.
21. Makoto Nakajima & Irina A. Telyukova, 2011."Home equity withdrawal in retirement,"Working Papers 11-15, Federal Reserve Bank of Philadelphia

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## HOUSE PRICES

22. Stijn Van Nieuwerburgh & Pierre-Olivier Weill, 2010."Why Has House Price Dispersion Gone Up?," Review of Economic Studies, Wiley Blackwell, vol. 77(4), pages 1567-1606, October.
23. Todd M. Sinai, 2012. "House Price Moments in Boom-Bust Cycles,"NBER Working Papers 18059, National Bureau of Economic Research, Inc.
24. Carlos Garriga & Rodolfo E. Manuelli & Adrian Peralta-Alva, 2012."A model of price swings in the housing market,"Working Papers 2012-022, Federal Reserve Bank of St. Louis.
25. Burnside C, Eichenbaum M, and Rebelo S (2011), Understanding Booms and Busts in Housing Markets, Mimeo, Northwestern University.
26. Glaeser EL, Gyourko J, and Saks RE (2005), Why Have Housing Prices Gone Up?, American Economic Review, 95(2): 329-333.
27. Ortalo-Magne F and Rady S (2006), Housing Market Dynamics: On the Contribution of Income Shocks and Credit Constraints, Review of Economic Studies, 73(2): 459-485.
28. Ríos-Rull J.V. and Sánchez-Marcos V. (2008), Aggregate Shocks and the Volatility of House Prices, Mimeo, University of Minnesota.

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## CREDIT MARKETS

29. Iacoviello, Matteo, 2005. "House Prices, Borrowing Constraints, and Monetary Policy in the Business Cycle,"*American Economic Review* 95 (3): 739-764.
30. Veronica Guerrieri & Guido Lorenzoni, 2011."Credit Crises, Precautionary Savings, and the Liquidity Trap,"NBER Working Papers 17583, National Bureau of Economic Research, Inc.
31. John Moore, 2011 "Leverage Stacks and the Financial System", mimeo.

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## TAXATION

32. Gervais, Martin, 2002."Housing taxation and capital accumulation," Journal of Monetary Economics, Elsevier, vol. 49(7), pages 1461-1489, October.
33. Makoto Nakajima, 2010."Optimal capital income taxation with housing,"Working Papers 10-11, Federal Reserve Bank of Philadelphia.

34. Chambers, Matthew & Garriga, Carlos & Schlagenhaut, Don E., 2009. "Housing policy and the progressivity of income taxation," *Journal of Monetary Economics*, Elsevier, vol. 56(8), pages 1116-1134, November.
35. Juan Carlos Conesa & Sagiri Kitao & Dirk Krueger, 2009. "Taxing Capital? Not a Bad Idea after All!," *American Economic Review*, American Economic Association, vol. 99(1), pages 25-48, March.
36. James Poterba & Todd Sinai, 2008. "Tax Expenditures for Owner-Occupied Housing: Deductions for Property Taxes and Mortgage Interest and the Exclusion of Imputed Rental Income," *American Economic Review*, American Economic Association, vol. 98(2), pages 84-89, May.
37. A. Abraham, S. Kohene and N. Pavoni, 2010. "Optimal Income Taxation with Asset Accumulation", mimeo.
38. Mikhail Golosov, Aleh Tsyvinski, Ivan Werning, 2007. "New Dynamic Public Finance: A User's Guide." NBER Macroeconomics Annual 2006, Volume 21.

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## SEARCH FRICTIONS IN HOUSING MARKETS

39. Monika Piazzesi & Martin Schneider, 2009. "Momentum Traders in the Housing Market: Survey Evidence and a Search Model," *American Economic Review*, American Economic Association, vol. 99(2), pages 406-11, May.
40. Antonia Díaz & Belén Jerez, 2012. "House prices, sales, and time on the market : a search-theoretic framework," *Economics Working Papers we1033*, Universidad Carlos III, Departamento de Economía.
41. Allen Head & Huw Lloyd-Ellis & Hongfei Sun, 2012. "Search, Liquidity and the Dynamics of House Prices and Construction," *Working Papers 1276*, Queen's University, Department of Economics.
42. Allen Head & Huw Lloyd-Ellis, 2011. "Housing Liquidity, Mobility, and the Labour Market," *Working Papers 1197*, Queen's University, Department of Economics.
43. L. Rachel Ngai & Silvana Tenreyro, 2009. "Hot and Cold Seasons in the Housing Market," *CEP Discussion Papers dp0922*, Centre for Economic Performance, LSE.

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## INTERNATIONAL FINANCE

44. Jack Favilukis & David Kohn & Sydney C. Ludvigson & Stijn Van Nieuwerburgh, 2012. "International Capital Flows and House Prices: Theory and Evidence," *NBER Working Papers 17751*, National Bureau of Economic Research, Inc.
45. Adam, K., P. Kuang, and A. Marcet, "House price booms and the current account," *Technical Report*, National Bureau of Economic Research 2011.
46. Gete, Pedro, 2009. "Housing Markets and Current Account Dynamics," *MPRA Paper 20957*, University Library of Munich, Germany, revised 20 Sep 2010.
47. Punzi, Maria Teresa, 2012. "Housing market and current account imbalances in the international economy," *Research Discussion Papers 1/2012*, Bank of Finland.

48. Luis Franjo, 2012. "International Interest Rates and Housing Markets", mimeo.
49. Caballero, R.J., E. Farhi, and P.O. Gourinchas, "An Equilibrium Model of "Global Imbalances" and Low Interest Rates," *American Economic Review*, 2008, 98, 358–393.

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## GEOGRAPHY AND HOUSING

50. Esteban Rossi-Hansberg & Pierre-Daniel Sarte & Raymond Owens, 2010."Housing Externalities," *Journal of Political Economy*, University of Chicago Press, vol. 118(3), pages 485-535, 06.
51. Klaus Desmet & Esteban Rossi-Hansberg, 2009."Spatial Development," NBER Working Papers 15349, National Bureau of Economic Research, Inc.