

Economics 742b Reading List and Lecture Plan

Adam Guren, Spring 2016

Three Topics:

1. Regional Variation and Related Sources of Micro Variation in Macro (5 ½ Lectures)
2. Aggregate Nominal Rigidity and Micro Price Adjustment (4 Lectures)
3. Labor Markets (4 ½ Lectures)

Course Outline:

1. Introduction, Regional Shocks and Evolutions
2. Household Balance Sheets, Deleveraging, and Monetary Policy
3. Credit, Collateral, and Monetary Policy
4. Credit and the Great Recession, Fiscal Multipliers
5. Aggregation I
6. Aggregation II and Monetary Non-Neutrality
7. State-Dependent Pricing and (S,s) Models
8. Evidence On Price Adjustment and Refined (S,s) Models
9. Persistence and Real Rigidity
10. Time Variation in Monetary Policy Effectiveness, Intro to Macro-Labor
11. Flavors of Search Models
12. The Unemployment Volatility Puzzle and Sticky Wages
13. The Scarring Effects of Job Loss
14. Wage Dispersion and Jobless Recoveries

My Approach:

- I want to give you a bird's eye view of the "lay of the land" of the literature.
 - Very useful for data source, identification strategies, etc.
- And then focus in on a few papers (2-3 per class) in detail.
 - You will be asked to read these carefully before class.
 - One paper will be used for the summary slides assignment – see web site. Often these will be more recent papers meant to get you thinking at the frontier rather than the most seminal papers.

My View on the "Big Questions in Macro":

- What are the drivers of fluctuations (shocks)?
- Why are responses so big to seemingly small shocks?
- Why are responses so persistent?
- What is the role of policy, particularly monetary and fiscal?
- What are the roles of non-linearities and how do they change the above questions?

What I ask of you:

- Read the starred readings and the double-starred readings extra carefully.
 - I will announce what to read before class.
- Ask questions, participate, challenge me, etc.
- Read everything and come to class with an eye towards new research questions.

Topic 1: Regional Variation (and Other Sources of Micro Variation) in Macro

- Regional Dynamics and Variation
 - ** Blanchard and Katz (1992) “Regional Evolutions.” *BPEA*.
 - * Yagan (2014) “Moving to Opportunity? Migratory Insurance Over the Great Recession.” WP.
 - Suarez-Serrato and Zidar (2014) “Who Benefits from State Corporate Tax Cuts? A Local Labor Market Approach with Heterogenous Firms.” WP.
 - Saiz (2010) “The Geographic Determinants of Housing Supply.” *QJE*.
 - Palmer, Christopher (2014) “Why did So Many Subprime Borrowers Default During the Crisis: Loose Credit or Plummeting Prices?” WP.
- Households, Debt Overhang, and the Debt-Deleveraging Channel (Mian and Sufi)
 - ** Mian and Sufi (2011) “Housing Price, Home Equity-Based Borrowing, and the U.S. Household Leverage Crisis.” *AER*.
 - ** Mian and Sufi (2014) “What Explains High Unemployment? The Aggregate Demand Channel.” *Emca*.
 - * Mian, Sufi, and Rao (2013) “Household Balance Sheets, Consumption, and the Economic Slump.” *QJE*.
 - Mian and Sufi (2009) “The Consequences of Mortgage Credit Expansion: Evidence from the U.S. Mortgage Default Crisis.” *QJE*.
 - Guerrieri and Lorenzoni (2011) “Credit Crises, Precautionary Savings, and the Liquidity Trap.” WP.
 - Midrigan and Phillipon (2011) “Household Leverage and the Recession.” WP.
 - Eggertson and Krugman (2012) “Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo Approach.” *QJE*.
- Households and Monetary Policy
 - ** Auclert (2015) “Monetary Policy and the Redistribution Channel.” WP.
 - * Di Maggio, Kermani and Ramcharan (2014) “Monetary Policy Pass-Through: Household Consumption and Voluntary Deleveraging.” WP.
 - * Keys, Piskorski, Seru, and Yao (2014) “Mortgage Rates, Household Balance Sheets, and the Real Economy.” WP.
 - * Wong (2015) “Population Aging and the Transmission of Monetary Policy to Consumption.” WP.
 - * Greenwald (2015) “The Mortgage Credit Channel of Macroeconomic Transmisoin” WP.
- Firms and Monetary Policy
 - Richardson and Troost (2009) “Monetary Policy Intervention Mitigated Banking Panics During the Great Depression: Quasi-Experimental Evidence from a Federal Reserve District Border, 1929-1933.” *JPE*.
 - * Kashyap and Stein (2000) “What Do a Million Observations on Banks Say About the Transmission of Monetary Policy?” *AER*.
 - * Jimenez, Ongena, Peydro, and Saurina (2012). “Credit Supply and Monetary Policy: Identifying the Bank Balance-Sheet Channel with Loan Applications.” *AER*.

- * Jiminez, Ongena, Peydro, and Saurina (2014) “Hazardous Times for Monetary Policy: What Do 23 Million Loans Say About the Impact of Monetary Policy on Credit Risk Taking?” *Emca*.
- Jiminez, Mian, Peydro, and Salas (2014). “The Real Effects of the Bank Lending Channel.” WP.
- Firms and Bank Shocks (regional and firm-level)
 - * Peek and Rosengren (2000) “Collateral Damage: Effects of the Japanese Bank Crisis on Real Activity in the United States.” *AER*.
 - Ashcraft (2005) “Are Banks Really Special? New Evidence from the FDIC-Induced Failure of Healthy Banks.” *AER*.
 - Hochfellner, Montes, Schmitz, and Sosyura (2014) “The Human Costs of Bank Speculation.” WP.
 - Ivashina and Scharfstein (2010) “Bank Lending During the Financial Crisis of 2008.” *JFE*.
 - ** Chodorow-Reich (2014) “The Employment Effects of Credit Market Disruptions: Firm-Level Evidence From the 2008-9 Financial Crisis” *QJE*.
 - Darmouni (2015) “The Effects of Informational Frictions on Credit Reallocation.” WP.
 - ** Mas, Greenstone, and Nguyen (2014) “Do Credit Market Shocks Affect the Real Economy? Quasi-Experimental Evidence from the Great Recession and ‘Normal’ Economic Times.” WP.
 - ** Khwaja and Mian. (2008) “Tracing the Impact of Bank Liquidity Shocks: Evidence from an Emerging Market.” *AER*.
 - * Amiti and Weisnstein (2013) “How Much Do Bank Shocks Affect Investment? Evidence From Mached Bank-Firm Loand Data.” WP.
- Firms and Collateral
 - ** Chaney, Sraer, and Thesmar (2012) “The Collateral Channel.” *AER*.
- Households and Bank Shocks
 - * Mondragon (2015) “Household Credit and Employment in the Great Recession.” WP.
- Fiscal Policy and the Multiplier
 - ** Nakamura and Steinsson (2014) “Fiscal Stimulus in a Monetary Union: Evidence from U.S. Regions” *AER*.
 - * Shoag (2012) “The Impact of Government Spending Shocks: Evidence on the Multiplier From State Pension Plan Returns.” WP.
 - * Suarez Serrato and Wingender (2014) “Estimating Local Fiscal Multipliers.” WP.
 - * Mian and Sufi (2012) “The Effects of Fiscal Stimulus: Evidence From the 2009 Cash For Clunkers Program.” *QJE*.
 - Johnson, McClelland, Parker and Souleles (2013) “Consumer Spending and the Economic Stimulus Payments of 2008.” *AER*.
- Other
 - ** Beraja, Hurst, and Ospina (2015) “The Regional Evolution of Prices and Wages During the Great Recession.” WP.
 - ** Beraja (2015) “A Semi-Structural Methodology for Policy Counterfactuals and Application to Fiscal Unions.” WP.

- * Charles, Hurst, and Notowidigdo (2013) “Manufacturing Decline, Housing Booms, and Non-Employment.” WP.
- ** Acemoglu, Autor, Dorn, and Hanson (2014) “Import Competition and the Great U.S. Employment Sag of the 2000s.” WP.
- Stumpner (2014) “Trade and the Geographic Spread of the Great Recession.” WP.
- Carvalho, Nirei, Saito, and Tahbaz-Salehi (2015) “Supply Chain Distruptions: Evidence from the Great East Japan Earthquake.” WP.

Topic 2: Aggregate Nominal Rigidity and Micro Price Adjustment

- Overviews
 - Klenow and Malin (2010) “Microeconomic Evidence on Price Setting.” *Handbook of Monetary Economics*.
 - ** Nakamura and Steinsson (2013) “Price Rigidity: Microeconomic Evidence and Macroeconomic Implications.” *Annual Review of Economics*.
- Evidence For Monetary Non-Neutrality
 - * Christiano, Eichenbaum and Evans (1999) “Monetary Policy Shocks: What Have We Learned and To What End?” *Handbook of Macroeconomics*.
 - * Romer and Romer (2004) “A New Measure of Monetary Shocks: Derivation and Implications.” *AER*.
 - Romer and Romer (1989) “Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz.” *NBER Macroeconomics Annual*.
 - Mankiw (2001) “The Inexorable and Mysterious Tradeoff Between Inflation and Unemployment.” *EJ*.
 - Fuhrer (2011) “Inflation Persistence.” *Handbook of Monetary Economics*.
 - * Nakamura and Steinsson (2013) “High Frequency Identification of Monetary Non-Neutrality.” WP.
- Evidence on Price Adjustment
 - * Bils and Klenow (2004) “Some Evidence on the Importance of Sticky Prices.” *JPE*.
 - ** Nakamura and Steinsson (2008) “Five Facts About Prices: A Reevaluation of Menu Cost Models.” *QJE*.
 - ** Klenow and Kryvtsov (2008) “State Dependent or Time Dependent Pricing: Does it Matter for Recent U.S. Inflation.” *QJE*.
 - Gagnon (2009) “Price Setting During Low and High Inflation: Evidence from Mexico.” *QJE*.
 - Alvarez, Gonzales-Rozada, Neumeyer, and Beraja (2011) “From Hyperinflation to Stable Prices: Argentina’s Evidence on Menu Cost Models.” WP.
 - Eichenbaum, Jaimovich and Rebelo (2011) “Reference Prices, Costs, and Nominal Rigidities.” *AER*.
 - Berger and Vavra (2015) “Dynamics of the U.S. Price Distribution.” WP.
 - Heise (2015) “Firm-to-Firm Relationships and Price Rigidity: Theory and Evidence.” WP.
- Theory of Price Adjustment: (S,s) Models
 - Math Reference: Dixit and Pindyck (1994) *Investment Under Uncertainty*.

- Sheshinski and Weiss (1977) “Inflation and Costs of Price Adjustment.” *RESTUD*.
- ** Caplin and Spulber (1987) “Menu Costs and the Neutrality of Money.” *QJE*.
- * Caplin and Leahy (1991) “State-Dependent Pricing and the Dynamics of Money and Output.” *QJE*.
- Dotsey, King and Wolman (1999) “State Dependent Pricing and the General Equilibrium Dynamics of Money and Output.” *QJE*.
- ** Golosov and Lucas (2007) “Menu Costs and Phillips Curves.” *JPE*.
- * Caballero and Engel (2007) “Price Stickiness in Ss models: New Interpretations of Old Results.” *JME*.
- ** Midrigan (2011) “Menu Costs, Multi-Product Firms, and Aggregate Fluctuations.” *Emca*.
- Gertler and Leahy (2008) “A Phillips Curve with an Ss Foundation.” *JPE*.
- Alvarez and Lippi (2014) “Price Setting With Menu Cost for Multi-Product Firms.” *Emca*.
- Blanco and Baley (2014) “Menu Costs, Uncertainty Cycles, and the Propagation of Nominal Shocks.” WP.
- Persistence and Strategic Complementarity
 - Cooper and John. 1988. “Coordinating Coordination Failures in Keynesian Models.” *QJE*.
 - ** Ball and Romer (1990) “Real Rigidities and the Non-Neutrality of Money.” *RESTUD*.
 - * Kimball (1995) “The Quantitative Analytics of the Basic Neomonetarist Model.” *JMCB*.
 - * Basu (2005). “Comment on: ‘Implications of State-Dependent Pricing for Dynamic Macroeconomic Modelling.’”
 - Nakamura and Zerom (2010) “Accounting For Incomplete Pass-Through.” *RESTUD*.
 - Guren (2014) “The Causes and Consequences of House Price Momentum.” WP.
 - * Basu (1995) “Intermediate Goods and Business Cycles: Implications For Productivity and Welfare.” *AER*.
 - Carvalho (2006) “Heterogeneity in Price Stickiness and the Real Effects of Monetary Shocks.” *BE Journal of Macroeconomics*.
 - ** Nakamura and Steinsson (2010) “Monetary Non-Neutrality in a Multi-Sector Menu Cost Model.” *QJE*.
 - Chari, Kehoe, and McGrattan (2000) “Sticky Price Models of the Business Cycle: Can the Contract Multiplier Solve the Persistence Problem?” *Emca*.
 - * Klenow and Willis (2006). “Real Rigidities and Nominal Price Changes.” WP.
 - ** Bilis, Klenow, and Malin (2012). “Reset Price Inflation and the Impact of Monetary Policy Shocks.” *AER*.
 - ** Gopinath and Ishoki (2011). “In Search of Real Rigidities.” *NBER Macroeconomics Annual*.
 - Kryvtsov and Midrigan (2012) “Inventories, Markups, and Real Rigidities in Menu Cost Models.” *RESTUD*.
- Interactional Evidence

- * Gopinath and Itskhoki (2010) “Frequency of Adjustment and Exchange Rate Pass Through” *QJE*.
- Gopinath, Itskhoki, and Rigobon (2010) “Currency Choice and Exchange Rate Pass-Through.” *AER*.
- Berger and Vavra (2014) “Volatility and Pass Through.” WP.
- Amiti, Itskhoki, and Koenigs (2014) “Importers, Exporters, and Exchange Rate Disconnect.” *AER*.
- * Amiti, Itskhoki, and Koenigs (2015) “International Shocks and Domestic Prices: How Large Are Strategic Complementarities?” WP.
- * Atkeson and Burstein (2008) “Pricing to Market, Trade Costs, and International Relative Prices.” *AER*.
- Time Variation
 - ** Vavra (2014) “Inflation Dynamics and Time-Varying Volatility: New Evidence and an Ss Interpretation.” *QJE*.
 - Gilchrist, Schoenle, Sim, and Zakrajsek (2015) “Inflation Dynamics During the Financial Crisis.” WP.

Topic 3: Macro Labor

- Overviews
 - ** Rogerson, Shimer, and Wright (2005) “Search Theoretic Models of the Labor Market.” *JEL*.
 - * Pissarides (2000) *Equilibrium Unemployment Theory, 2nd Edition*
- Facts
 - * Elsby, Hobijn, and Sahin (2011) “The Labor Market in the Great Recession: An Update.” *BPEA*.
 - Blanchard and Diamond (1989) “The Beveridge Curve.” *BPEA*.
 - Davis, Faberman, Haltiwanger (2006) “The Flow Approach to Labor Markets: New Data Sources and Micro-Macro Linkages.” *JEP*.
 - * Elsby, Michaels, and Solon (2009) “The Ins and Outs of Cyclical Unemployment.” *AEJ: Macro*.
 - * Shimer (2012) “Reassessing the Ins and Outs of Unemployment.” *RED*.
 - Petrolongo and Pissarides (2001) “Looking Into the Black Box: A Survey of the Matching Function.” *JEL*.
- Partial Equilibrium Search
 - McCall (1970). “Economics of Information and Job Search.” *QJE*.
 - Diamond (1970) “A Model of Price Adjustment.” *JET*.
 - * Jovanovic (1979) “Job Matching and the Theory of Turnover.” *JPE*.
- Random Search: The DMP Model
 - Pissarides (1985) “Short-Run Equilibrium Dynamics of Unemployment Vacancies and Real Wages.” *AER*.
 - ** Mortensen and Pissarides (1994) “Job Creation and Job Destruction in the Theory of Unemployment.” *RESTUD*.
 - Hosios (1990) “On the Efficiency of Matching and Related Models of Search and Unemployment.” *RESTUD*.
- Directed Search

- Moen (1997) “Competitive Search Equilibrium.” *JPE*.
 - * Menzio and Shi (2010) “Efficient Search on the Job and the Business Cycle.” *JPE*.
- Wage Dispersion
 - ** Hornstein, Krusell, and Violante (2011). “Frictional Wage Dispersion in Search Models: A Quantitative Assessment.” *AER*.
- Unemployment Volatility and the “Shimer Puzzle”
 - ** Shimer (2005) “The Cyclical Behavior of Equilibrium Unemployment and Vacancies.” *AER*.
 - * Hagedorn and Manovskii (2008) “The Cyclical Behavior of Equilibrium Unemployment and Vacancies Revisited.” *AER*.
 - * Hall (2005) “Employment Fluctuations and Equilibrium Wage Stickiness.” *AER*.
 - Hall and Milgrom (2008) “The Limited Influence of Unemployment on the Wage Bargain.” *AER*.
 - Gertler and Trigari (2009) “Unemployment Fluctuations With Staggered Nash Wage Bargaining.” *JPE*.
 - ** Pissarides (2009) “The Unemployment Volatility Puzzle: Is Wage Stickiness the Answer?” *Emca*.
 - * Michaillat (2012) “Do Matching Frictions Explain Unemployment? Not in Bad Times.” *AER*.
 - * Schoefer (2014) “The Financial Channel of Wage Rigidity.” WP.
 - ** Ljungqvist and Sargent (2014) “The Fundamental Surplus in Matching Models.” WP.
- Scarring and Long-Run Effects
 - * Jacobson, LaLonde, and Sullivan (1993) “Earnings Losses of Displaced Workers.” *AER*.
 - Couch and Placzek (2010) “Earnings Losses of Displaced Workers and the Business Cycle: An Analysis With Administrative Data.” *AER*.
 - Von Wachter, Song, and Manchester (2009) “Long-Term Earnings Losses Due to Mass Layoffs During the 1982: An Analysis Using U.S. Administrative Data from 1974 to 2004.” WP.
 - Flaaen, Shapiro, and Sorkin. (2013). “Reconsidering the Consequences of Worker Displacements: Survey Versus Administrative Measurements.” WP.
 - * Davis and Von Wachter (2011) “Recessions and the Cost of Job Loss.” *BPEA*.
 - Hall (1995) “Lost Jobs.” *BPEA*.
 - * Pries (2004) “Persistence of Employment Fluctuations: A Model of Recurring Job Loss.” *JPE*.
 - ** Jarosch (2014) “Searching for Job Security and the Consequences of Job Loss.” WP.
- Wages
 - Elsby, Shin, and Solon (2014) “Wage Adjustment in the Great Recession and Other Downturns: Evidence from the United States and Great Britain.” WP.
 - Barsky Solon, and Parker (1994) “Measuring the Cyclicalities of Real Wages: How Important is Composition Bias?” *QJE*.

- Guimares, Carneiro and Portugal (2012) “Real Wages and the Business Cycle: Accounting for Workers and Firm Heterogeneity” *AEJ: Macro*.
- The Decline in Turnover
 - * Davis and Haltiwanger (2014) “Labor Market Fluidity and Economic Performance.” WP.
 - Decker, Haltiwanger, Jarmin, and Miranda (2014) “The Secular Decline of Business Dynamism in the United States.” WP.
 - * Haltiwanger, Jarmin, and Miranda (2013) “Who Creates Jobs? Small Versus Large Versus Young.” *RESTAT*.
 - * Pugsley and Sahin (2014) “Grown Up Business Cycles.” WP
- Other Topics in Macro Labor of Interest
 - Davis, Faberman, and Haltiwanger (2012) “The Establishment-Level Behavior of Vacancies and Hiring.” *QJE*.
 - * Jaimovich and Siu (2014) “The Trend is the Cycle: Job Polarization and Jobless Recoveries.” WP.
 - * Jaimovich, Rebelo, and Wong (2014) “Frugal Consumers and the Labor Market.” WP.
 - ** Restrepo (2015) “Skill Mismatch and Structural Unemployment.” WP.

Readings By Lecture

1. Introduction, Regional Shocks and Evolutions
 - a. **: Blanchard- Katz;
 - b. *: Yagan, Saiz, Charles-Hurst-Notowidigdo
2. Household Balance Sheets, Deleveraging, and Monetary Policy
 - a. Summary Slides: Auclert
 - b. **: Mian-Sufi (2011), Mian-Sufi (2014 EMCA), Auclert
 - c. *: Mian-Sufi-Rao, Mian-Sufi (2014 WP) Di Maggio-Kermani-Ramcharan, Keys-Piskorski-Seru-Yao
3. Credit, Collateral, and Monetary Policy
 - a. Summary Slides: Khwaja-Mian
 - b. **: Chaney-Sraer-Thesmar, Khwaja-Mian
 - c. *: Peek-Rosengren, Amiti-Weinstein
4. Credit and the Great Recession, Fiscal Multipliers
 - a. Summary Slides: Chodorow-Reich
 - b. **: Mas-Greenstone-Nguyen, Mondragon, Chodorow-Reich
 - c. *: Shoag, Suarez Serrato-Wingender, Mian-Sufi
5. Fiscal Multipliers and Aggregation
 - a. Summary Slides: Nakamura-Steinsson
 - b. **: Nakamura-Steinsson, Mian-Sufi (2014), Acemoglu-Autor-Dorn-Hanson
6. Aggregation and Monetary Non-Neutrality
 - a. Summary Slides: Beraja-Hurst-Ospina
 - b. **: Beraja-Hurst-Ospina, Beraja
 - c. *: Christiano-Eichenbaum-Evans, Romer-Romer, Nakamura-Steinsson (2013)
7. State-Dependent Pricing and (S,s) Models
 - a. Summary Slides: Golosov-Lucas
 - b. **: Caplin-Spulber, Golosov-Lucas
 - c. *: Bils-Klenow, Caplin-Leahy
8. Evidence On Price Adjustment and Refined State-Dependent
 - a. Summary Slides: Midrigan
 - b. **: Nakamura-Steinsson, Klenow-Kryvtsov, Midrigan
 - c. *: Caballero and Engel
9. Persistence and Real Rigidity
 - a. Summary Slides: None
 - b. **: Ball-Romer, Nakamura-Steinsson, Bils-Klenow-Malin, Itskhoki-Gopinath.
10. Time Variation in Monetary Policy Effectiveness, Intro to Macro-Labor
 - a. Summary Slides: Vavra
 - b. ** Vavra
 - c. *: Elsby-Hobijn-Sahin, Elsby-Michaels-Solon, Shimer (2012)
11. Flavors of Search Models
 - a. No Summary Slides
 - b. **: Rogerson-Shimer-Wright, Mortensen-Pissarides,
 - c. *: Menzio-Shi
12. The Unemployment Volatility Puzzle and Sticky Wages
 - a. Summary Slides: Shimer (2005)

- b. **: Shimer, Pissarides, Ljungqvist-Sargent
 - c. * Hagadorn-Manovskii, Hall, Schoeffer, Elsby-Shin-Solon
- 13. The Scarring Effects of Job Loss
 - a. Summary Slides: Jarosch
 - b. ** Jarosch
 - c. *: Jacobson-LaLonde-Sullivan, Davis-Von Wachter, Pries
- 14. Wage Dispersion Jobless Recoveries
 - a. Summary Slides: None
 - b. ** Hornstein-Krusell-Violante, Restrepo
 - c. * Jaimovich-Siu, Jaimovich-Rebelo-Wong, Puglsey-Sahin , Decker-Haltiwanger-Jarmin-Miranda, Davis-Haltiwanger, Haltiwanger-Jarmin-Miranda