Economics 742a Reading List and Lecture Plan
Adam Guren, Spring 2017

Three Topics:
1. Micro Variation in Macro (6 Lectures)
2. Aggregate Nominal Rigidity and Micro Price Adjustment (4 Lectures)
3. Labor Markets (4 Lectures)

Course Outline:
1. Introduction, Regional Shocks and Evolutions
2. Household Balance Sheets, Deleveraging, and Monetary Policy
3. Firm Credit, Collateral, and Monetary Policy; Credit and the Great Recession
4. Fiscal Multipliers, Aggregation I
5. Aggregation II
6. Aggregation III
7. State-Dependent Pricing and (S,s) Models
8. Evidence On Price Adjustment and Refined (S,s) Models
9. Persistence and Real Rigidity
10. Real Rigidity Continued, Time Variation in Monetary Policy Effectiveness
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.
  o Very useful for data source, identification strategies, etc.
• And then focus in on a few papers (2-3 per class) in detail.
  o You will be asked to read these carefully before class.
  o 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 double-starred readings very carefully. Read the starred readings as best you can
  (and given your interests).
  o I will announce what to read before class (also see last two pages).
• Ask questions, participate, challenge me, etc.
• Read critically and come to class with an eye towards new research questions.
Topic 1: Micro Variation in Macro

- Regional Dynamics and Variation
  - Palmer, Christopher (2016) “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)

- Households and Monetary Policy
  - ** Auclert (2016) “Monetary Policy and the Redistribution Channel.” WP.

- Firms and Monetary Policy


- **Firms and Bank Shocks (regional and firm-level)**
  - Ashcraft (2005) “Are Banks Really Special? New Evidence from the FDIC-Induced Failure of Healthy Banks.” *AER.*
  - Ivashina and Scharfstein (2010) “Bank Lending During the Financial Crisis of 2008.” *JFE.*

- **Firms and Collateral**
  - ** Chaney, Sraer, and Thesmar (2012) “The Collateral Channel.” *AER.*

- **Households and Bank Shocks**

- **Fiscal Policy and the Multiplier**
  - ** Nakamura and Steinsson (2014) “Fiscal Stimulus in a Monetary Union: Evidence from U.S. Regions” *AER.*
  - ** Chodorow-Reich (2016) “Geographic Cross-Sectional Fiscal Multipliers: What Have We Learned?” WP.
• Aggregation
  o ** Beraja, Hurst, and Ospina (2016) “The Regional Evolution of Prices and Wages During the Great Recession.” WP.
  o * Carvalho, Nirei, Saito, and Tahbaz-Salehi (2016) “Supply Chain Disruptions: Evidence from the Great East Japan Earthquake.” WP.

• Information, Expectations, and Aggregation
  o Angeletos and La’O (2013) “Sentiments.” EMCA.

** Topic 2: Aggregate Nominal Rigidity and Micro Price Adjustment

• Overviews

• Evidence For Monetary Non-Neutrality

• Evidence on Price Adjustment
• 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 (2016) “Dynamics of the U.S. Price Distribution.” WP.

• Theory of Price Adjustment: (S,s) Models
  o Sheshinski and Weiss (1977) “Inflation and Costs of Price Adjustment.” *RESTUD.*
  o ** Caplin and Spulber (1987) “Menu Costs and the Neutrality of Money.” *QJE.*
  o * Caplin and Leahy (1991) “State-Dependent Pricing and the Dynamics of Money and Output.” *QJE.*
  o Dotsey, King and Wolman (1999) “State Dependent Pricing and the General Equilibrium Dynamics of Money and Output.” *QJE.*
  o ** Golosov and Lucas (2007) “Menu Costs and Phillips Curves.” *JPE.*
  o * Caballero and Engel (2007) “Price Stickiness in Ss models: New Interpretations of Old Results.” *JME.*
  o ** Midrigan (2011) “Menu Costs, Multi-Product Firms, and Aggregate Fluctuations.” *Emca.*
  o Gertler and Leahy (2008) “A Phillips Curve with an Ss Foundation.” *JPE.*
  o Blanco and Balej (2016) “Menu Costs, Uncertainty Cycles, and the Propagation of Nominal Shocks.” WP.

• Persistence and Strategic Complementarity
  o Cooper and John. 1988. “Coordinating Coordination Failures in Keynesian Models.” *QJE.*
  o ** Ball and Romer (1990) “Real Rigidities and the Non-Neutrality of Money.” *RESTUD.*
  o Nakamura and Zerom (2010) “Accounting For Incompelte Pass-Through.” *RESTUD.*
  o * Guren (2017) “House Price Momentum and Strategi Complementarity.” *JPE.*
• ** Nakamura and Steinsson (2010) “Monetary Non-Neutrality in a Multi-Sector Menu Cost Model.” *QJE.*
• Kryvtsou and Midrigan (2012) “Inventories, Markups, and Real Rigidity in Menu Cost Models.” *RESTUD.*
• ** Mongey (2016) “Market Structure and Monetary Non-Neutrality.” WP.

** Interational Evidence**
• * Gopinath and Itskhole (2010) “Frequency of Adjustment and Exchange Rate Pass Through” *QJE.*
• Amiti, Itskhole, and Koenigs (2014) “Improters, Exporters, and Exchange Rate Disconnect.” *AER.*
• * 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 (2017) “Inflation Dynamics During the Financial Crisis.” *AER.*

** Topic 3: Macro Labor**

** Overviews**
• ** Rogerson, Shimer, and Wright (2005) “Search Theoretic Models of the Labor Market.” *JEL.*

** Facts**
• Blanchard and Diamond (1989) “The Beveridge Curve.” *BPEA.*

- **Partial Equilibrium Search**  

- **Random Search: The DMP Model**  
  - Pissarides (1985) “Short-Run Equilibrium Dynamics of Unemployment Vacancies and Real Wages.” *AER*.  

- **Directed Search**  

- **Wage Dispersion**  

- **Unemployment Volatility and the “Shimer Puzzle”**  

- **Scarring and Long-Run Effects**  

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• Flaen, 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.

• Wages
  • Barsky Solon, and Parker (1994) “Measuring the Cyclicality of Real Wages: How Important is Composition Bias?” QJE.

• The Decline in Turnover

• Other Topics in Macro Labor of Interest
  • * Jaimovich and Siu (2014) “The Trend is the Cycle: Job Polarization and Jobless Recoveries.” WP.
Starred Readings By Lecture

1. Introduction, Regional Shocks and Evolutions
   a. **: Blanchard-Katz
   b. *: Yagan, Howard

2. Household Balance Sheets, Deleveraging, and Monetary Policy
   a. Summary Slides: Mian-Sufi-Rao and Mian-Sufi (2014 EMCA), together
   b. **: Mian-Sufi-Rao, Mian-Sufi (2014 EMCA),

3. Credit, Collateral, and Monetary Policy; Credit and the Great Recession
   a. Summary Slides: Khwaja-Mian or Chodorow-Reich (choice)
   b. ** Khwaja-Mian, Chodorow-Reich
   c. *: Peek-Rosengren, Chaney-Sraer-Thesmar, Mas-Greenstone-Nguyen

4. Fiscal Multipliers, Aggregation I
   a. Summary Slides: Nakamura-Steinsson
   b. **: Nakamura-Steinsson, Chodorow-Reich
   c. *: Shoag, Suarez Serrato-Wingender

5. Aggregation II
   a. Summary Slides: Beraja-Hurst-Ospina
   b. **: Beraja-Hurst-Ospina, Beraja
   c. *: Mian-Sufi (2014), Acemoglu-Autor-Dorn-Hanson-Price, Carvalho-Nirei-Saito-Tahbaz-ASalehi

6. Aggregation III
   a. Summary Slides: Angeletos-La’O
   c. *: Angeletos-Lian (Handbook)

7. State-Dependent Pricing and (S,s) Models
   a. Summary Slides: Golosov-Lucas
   b. **: Golosov-Lucas
   c. *: Caplin-Spulber, Bils-Klenow, Caplin-Leahy

8. Evidence On Price Adjustment and Refined State-Dependent
   a. Summary Slides: Midrigan
   b. **: Nakamura-Steinsson, Klenow-Kryvstov, Midrigan
   c. *: Caballero and Engel, Alvarez-Le Bihan-Lippi

9. Persistence and Real Rigidity
   a. Summary Slides: None
   b. **: Mongey, Ball-Romer

10. Real Rigidity (Continued), Time Variation in Monetary Policy Effectiveness, Intro to Macro-Labor
    a. Summary Slides: Vavra
    b. ** Vavra

11. Flavors of Search Models
    a. No Summary Slides, read Rogerson-Shimer-Wright carefully.
    b. **: Rogerson-Shimer-Wright, Mortensen-Pissarides
c. **: Menzio-Shi

12. The Unemployment Volatility Puzzle and Sticky Wages
   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: Hornstein-Krusell-Violante
   b. **: Hornstein-Krusell-Violante