Economics 742a Reading List and Lecture Plan
Adam Guren, Spring 2021

Three Topics:
1. Micro Variation in Macro (6 Lectures)
2. Aggregate Nominal Rigidity and Micro Price Adjustment (2 Lectures + 1 Bonus Lecture)
3. Heterogenous Agent New Keynesian Models (5 Lectures)

Course Outline:
1. Introduction, Micro Data in Macro
2. Regional Shocks and Evolutions
3. Household Balance Sheets, Deleveraging, and Monetary Policy
4. Firm Credit, Collateral, and Monetary Policy; Credit and the Great Recession
5. Fiscal Multipliers, Aggregation I
6. Aggregation II
7. Aggregation III
8. State-Dependent Pricing and (S,s) Models
9. Evidence On Price Adjustment and Refined (S,s) Models
10. HANK 1: The Heterogenous Agent New Keynesian Model
11. HANK 2: MPCs and Redistribution; Cyclical Income Risk
12. HANK 3: Investment and HANK
13. HANK 4: Durables and Mortgages in HANK
14. HANK 5: New Microdata on Heterogeneity and HANK
15. BONUS LECUTRE (After L9): Persistence and Real Rigidity

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 double-starred readings very carefully. Read the starred readings given your interests
  - 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**

- **Introduction**
  - **Nakamura and Steinsson (2018).** “Identification in Macroeconomics.” *JEP.*
  - **Huber (2018)** “Disentangling the Effects of a Banking Crisis: Evidence From German Firms and Counties.” *AER.*

- **Regional Dynamics and Variation**
  - **Blanchard and Katz (1992).** “Regional Evolutions.” *BPEA.*
  - **Yagan (2019)** “Employment Hysteresis From the Great Recession.” *JPE.*
  - **Autor, Dorn, and Hanson (2013).** “The China Syndrome: Local Labor Market Effects of Import Competition in the United States.” *AER.*
  - **Adao, Kolesar, and Morales (2019).** “Shift-Share Designs: Theory and Inference.” *QJE.*
  - **Borusyak, Hull, and Jaravel (2021).** “Quasi-Experimental Shift-Share Research Designs.” *Restud.*
  - **Howard (2020)** “The Migration Accelerator: Labor Mobility, Housing, and Aggregate Demand.” *AEJ: Macro.*
  - **Suarez-Serrato and Zidar (2016)** “Who Benefits from State Corporate Tax Cuts? A Local Labor Market Approach with Heterogenous Firms.” *AER.*
  - **Saiz (2010)** “The Geographic Determinants of Housing Supply.” *QJE.*
  - **Palmer (2015)** “Why did So Many Subprime Borrowers Default During the Crisis: Loose Credit or Plummeting Prices?” WP.
  - **Chodorow-Reich (2020)** “Regional Data in Macroeconomics: Some Advice For Practitioners” *JEDC.*

- **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 (2009)** “The Consequences of Mortgage Credit Expansion: Evidence from the U.S. Mortgage Default Crisis.” *QJE.*
  - **Guerrieri and Lorenzoni (2017)** “Credit Crises, Precautionary Savings, and the Liquidity Trap.” *QJE.*
  - **Jones, Midrigan, and Phillipon (2018)** “Household Leverage and the Recession.” WP.

- **Households and Monetary Policy**
• Firms and Monetary Policy

• Firms and Monetary Policy

• Firms and Bank Shocks (regional and firm-level)

• Firms and Collateral

• Households and Bank Shocks
  o Mondragon (2020) “Household Credit and Employment in the Great Recession.” WP.

- Fiscal Policy and the Multiplier

- Aggregation
  o * Carvalho, Nirei, Saito, and Tahbaz-Salehi (2021) “Supply Chain Disruptions: Evidence from the Great East Japan Earthquake.” WP.

\textbf{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.*
  - Eichenbaum, Jaimovich and Rebelo (2011) “Reference Prices, Costs, and Nominal Rigidities.” *AER.*

- Theory of Price Adjustment: (S,s) Models
  - 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.*
  - * 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.*

- 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.*
- ** Nakamura and Steinsson (2010) “Monetary Non-Neutrality in a Multi-Sector Menu Cost Model.” *QJE.*
- Kryvtsov and Midrigan (2012) “Inventories, Markups, and Real Rigidities in Menu Cost Models.” *RESTUD.*
  - International Evidence
    - * Gopinath and Itskhoki (2010) “Frequency of Adjustment and Exchange Rate Pass Through” *QJE.*
  - 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: Heterogenous Agent New Keynesian Models**

- The New Keynesian Model (Review)
  - Guren. 704 Class Notes and Syllabus.

- Introduction to HANK

- Computational Background
  - QuantEcon: [www.quantecon.org](http://www.quantecon.org)

- Solution Methods
  - Alisdair McKay Notes: [https://alisdairmckay.com/Notes/HetAgents/index.html](https://alisdairmckay.com/Notes/HetAgents/index.html)

- Monetary Policy With Heterogenous Agents
  - ** Kaplan, Moll, and Violante (2018). “Monetary Policy According to HANK” *AER.*
  - ** Auclert (2019). “Monetary Policy and the Redistribution Channel.” *AER.*

- HANK vs. TANK
• Fiscal Policy With Heterogenous Agents

• Mortgages, Durables, and HANK
  o ** Berger, Milbradt, Tourre, and Vavra (2020). “Mortgage Prepayment and Path-Dependent Effects of Monetary Policy.” WP.
  o ** McKay and Wieland (2020). “Lumpy Durable Consumption Demand and Limited Ammunition of Monetary Policy.” WP.

• Investment and HANK
  o ** Kekre and Lenel (2020). “Monetary Policy, Redistribution, and Risk Premia.” WP.
  o * Dreschel (2020). “Earnings-Based Borrowing Constraints and Macroeconomic Fluctuations.” WP.

• Unemployment and HANK

• Estimating HANK

- New Microdata On Heterogeneity and HANK

- Misallocation and Monetary Policy
  • Baqae and Farhi (2020). “The Darwinian Returns To Scale.” WP
  • Baqae and Farhi (2020) “Productivity and Misallocation in General Equilibrium.” *QJE.*

**Starred Readings By Lecture**

1. Introduction (January 26)
   a. Class Discussion: Nakamura-Steinsson, Huber
   b. ** Nakamura-Steinsson, Huber

2. Regional Shocks and Evolutions (January 28)
   a. **: Blanchard-Katz, Yagan
   b. *: Autor-Dorn-Hanson, Adao-Kolesar-Morales, Guren-Mckay-Nakamura-Steinsson

3. Household Balance Sheets, Deleveraging, and Monetary Policy (February 2)
   a. Summary Slides: Mian-Sufi-Rao and Mian-Sufi (2014 EMCA), together
   b. **: Mian-Sufi-Rao, Mian-Sufi (2014 EMCA),
   c. *: Mian-Sufi (2011), Di Magio et al., Ganong-Noel, Beraja-Fuster-Hurst-Vavra

4. Credit, Collateral, and Monetary Policy; Credit and the Great Recession (February 4)
   a. Summary Slides: Khwaja-Mian or Chodorow-Reich (choice)
   b. ** Khwaja-Mian, Chodorow-Reich
   c. *: Peek-Rosengren, Chaney-Sraer-Thesmar

5. Fiscal Multipliers, Aggregation I (February 9)
   a. Summary Slides: Nakamura-Steinsson
   b. **: Nakamura-Steinsson
   c. *: Shoag, Suarez Serrato-Wingender, Chodorow-Reich

6. Aggregation II (February 11)
   a. Summary Slides: Beraja-Hurst-Ospina
   b. **: Herreño or Wolf (your choice)
February 16: No Class (Monday Schedule)
February 18: Presentations (start at 8:30)
7. State-Dependent Pricing and (S,s) Models (February 23)
   a. Summary Slides: Golosov-Lucas
   b. **: Golosov-Lucas
   c. *: Caplin-Spulber, Bils-Klenow
8. Evidence On Price Adjustment and Refined State-Dependent (February 29)
   a. Summary Slides: Midrigan
   b. **: Nakamura-Steinsson, Klenow-Kryvstov, Midrigan
   c. *: Caballero and Engel, Alvarez-Le Bihan-Lippi
9. HANK 1: The Heterogenous Agent New Keynesian Model (March 2)
   a. ** Reading Group Paper 1: Kaplan-Moll-Violante
      i. Related Papers: Gali, Kaplan-Violante, Debortoli-Gali, Acharya-Dogra, McKay-Nakamura-Steinsson
   b. ** Reading Group Paper 2: Auclert-Rognlie-Straub (Micro Jumps Macro Humps)
      i. Related Papers: Auclert- Bardoczy-Rognlie-Straub, Other Methods Papers
10. HANK 2: MPCs and Redistribution; Cyclical Income Risk (March 4)
   a. ** Reading Group Paper 1: Auclert
      i. Related Papers: Doepke-Schneider, Werning
   b. ** Reading Group Paper 2: Ravn-Sterk
      i. Related Papers: Werning, Graves
11. HANK 3: Investment and HANK (March 9)
    a. ** Reading Group Paper 1: Kekre-Lenel
       i. Related Papers: Bernanke-Gertler-Gilchrist
    b. ** Reading Group Paper 2: Ottonello-Winberry
       i. Related Papers: Dreschel, Jeenas
12. HANK 4: Durables and Mortgages in HANK (March 11)
    a. ** Reading Group Paper 1: Berger-Milbradt-Toure-Vavra
       i. Related Papers: Eichenbaum-Rebelo-Wong, Wong, Greenwald
    b. ** Reading Group Paper 2: McKay-Wieland
       i. Related Papers: Berger-Vavra
13. HANK 5: New Microdata on Heterogeneity and HANK, Misallocation and Monetary Policy (March 16)
    a. ** Reading Group Paper 1: Holm-Paul-Tischbirek
    b. ** Reading Group Paper 2: Baqee-Farhi-Sangani
       i. Related Papers: Baqee-Farhi
14. BONUS LECTURE: Persistence and Real Rigidity
    a. **: Ball-Romer, Nakamura-Steinsson
    b. *: Basu, Klenow-Willis, Bils-Klenow-Malin, Gopinath -Itskhoki, Amiti-Itskhoki-Koenigs, Atkeson-Burstein, Guren