Economics 742a Reading List and Lecture Plan
Adam Guren, Spring 2023

Two Topics:
1. Micro Variation in Macro (7 Lectures)
   1. Housing and Macro
   2. Other Sources of Micro Variation in Macro
   3. Aggregation
2. Heterogenous Agent New Keynesian Models (6 Lectures)

Extra material covered in previous years on the course website.

Course Outline:
1. Introduction, Micro Data in Macro
2. Housing I: Wealth Effects
3. Housing II: The 2000s Boom and Bust
4. Housing III: Stabilization Policy; Other Sources I: Bartik and Monetary Shocks
5. Other Sources I: Firm Shocks, Granular IV, Credit and the Great Recession
6. Other Sources I: Fiscal Multipliers; Aggregation I
7. Aggregation II (Early Start)
8. HANK 1: The Heterogenous Agent New Keynesian Model (Early Start)
9. HANK 2: Redistribution and Incomplete Markets
10. HANK 3: Investment and HANK
11. HANK 4: Durables and Mortgages in HANK
12. HANK 5: Microdata, Missallocation, and Optimal Policy in HANK (Early Start)
13. HANK 6: Behavioral HANK

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.
  - On some days, one paper will be used for the summary slides assignment. See last few pages of this Reading List.

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 carefully. Read 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
  - ** Huber (2018) “Disentangling the Effects of a Banking Crisis: Evidence From German Firms and Counties.” AER.

- House Prices and Consumption:
  - Sinai and Souleles (2005) “Owner Occupied Housing as a Hedge Against Rent Risk.” QJE.

- The 2000s Housing Cycle
  - * Gurgen and McQuade (2020) “How Do Foreclosures Exacerbate Housing Downturns?” RESTUD.
  - Garriga and Hedlund (2020) “Mortgage Debt, Consumption and Illiquid Housing Markets in the Great Recession.” AER.
  - ** Greenwald and Gurgen (2021) “Do Credit Conditions Move House Prices?” WP.
  - ** Chodorow-Reich, Gurgen, and McQuade (2023) “The 2000s Housing Boom With 2020 Hindsight: A Neo-Kindlebergerian View.” RESTUD.

- Housing Market Stabilization Policy
- Campbell, Clara, and Cocco (2021) “Structuring Mortgages for Macroeconomic Stability.” JF.
- Greenwald, Landvoigt, and Van Nieuwerburgh (2021) “Financial Fragility and SAM.” JF.

- Share-Shift “Bartik” Shocks

- Monetary Shocks
  - Romer and Romer (2004). “A New Measure of Monetary Shocks: Derivation and Implications.” AER.
  - Coibion, Olivier (2012). “Are The Effects of Monetary Policy Shocks Big or Small?” AEJ: Macro.

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

**Granular Instrumental Variables**
- Galaasen, Jamilov Juelsrud, and Rey. “Granular Credit Risk.” WP.

**Firms and Collateral**

**Households and Bank Shocks**

**Fiscal Policy and the Multiplier**

• Aggregation
  o * Carvalho, Nirei, Saito, and Tahbaz-Salehi (2021) “Supply Chain Disruptions: Evidence from the Great East Japan Earthquake.” QJE.
  o Wolf and McKay (2022) “What Can Time Series Regressions Tell Us About Policy Counterfactuals?” WP.

Topic 2: Heterogenous Agent New Keynesian Models

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

• Introduction to HANK
  o * Kaplan and Violante (2018). “Microeconomic Heterogeneity and Macroeconomic Shocks. JEP.
  o * McKay and Wolf (2023). “Monetary Policy and Inequality.” JEP.

• Computational Background
  o QuantEcon: www.quantecon.org

• Computational Methods
**Auclert, Bardoczy, Rognlie, and Straub (2021).** “Using the Sequence-Space Jacobian to Solve and Estimate Heterogenous-Agent Models.” *Emca.*

**Ahn, Kaplan, Moll, Winberry, and Wolf (2018).** “When Inequality Matters for Macro and Macro Matters for Inequality.” NBER Macro Annual.

**Boppart, Krusell, and Mitman (2018).** “Exploiting MIT Shocks in Heterogenous-Agent Economics: The Impulse Response as a Numerical Derivative.” *JEDC.*

**Winberry (2018).** “A Method For Solving and Estimating Heterogenous Agent Macro Models.” *QE.*

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.*
  - **Werning (2015).** “Incomplete Markets and Aggregate Demand.” WP.
  - * Doepke and Schneider (2006).** “Inflation and the Redistribution of Nominal Wealth.” *JPE.*

- **HANK vs. TANK**
  - *Acharya and Dogra (2020).** “Understanding HANK: Insights From a PRANK.” *Emca.*

- **Fiscal Policy With Heterogenous Agents**

- **Mortgages, Durables, and HANK**
  - **Berger, Milbradt, Toure, and Vavra (2021).** “Mortgage Prepayment and Path-Dependent Effects of Monetary Policy.” *AER.*
• Investment and HANK
  o Cloyne, Ferriera, Froemel, and Surico (2023). “Monetary Policy, Corporate Finance, and Investment.” JEEA.
• Unemployment and HANK
• Estimating HANK
• New Microdata On Heterogeneity and HANK
  o Andersen, Johannesen, Jorgensen and Peydro (2021). “Monetary Policy and Inequality” WP.

- Misallocation and Monetary Policy

- Optimal Policy in HANK
  - Acharya, Challe, and Dogra (2022). “Optimal Monetary Policy According to HANK” WP.

- Behavioral HANK
  - ** Farhi and Werning (2019). “Monetary Policy, Bounded Rationality, and Incomplete Markets.” *AER*.

Extra Literature Guide to Housing and Macro Topics I Did Not Cover in Class

- Monetary Policy and Housing Markets
  - Wong (2021) “Refinancing and the Transmission of Monetary Policy to Consumption.” WP.

- Behavioral Housing Economics
o Andersen, Badarinza, Liu, Marx, and Ramadorai (2022) “Reference Dependence in the Housing Market.” *AER*.

o Andersen, Campbell, Nielsen, and Ramadorai (2020) “Sources of Inaction in Household Finance: Evidence from the Danish Mortgage Market” *AER*.

o Kuchler, Piazzesi, and Stroebel “Housing Market Expectations.” *Handbook of Economic Expectations*.


o Kindermann, Le Blanc, Piazzesi and Schneider (2021) “Learning About Housing Cost: Survey Evidence from the German House Price Boom.” WP.

- Housing Supply


  o Baum-Snow and Han (2022) “The Microgeography of Housing Supply.” WP.
Starred Readings By Lecture

1. Introduction (January 19)
   a. Class Discussion: Nakamura-Steinsson, Huber
   b. **: Nakamura-Steinsson, Huber

2. Housing I (January 24): Wealth Effects
   a. Summary slides: Mian-Sufi-Rao or Guren-MacKay Nakamura-Steinsson (your choice)
   b. **: Mian-Sufi-Rao, Mian-Sufi 14, Guren-McKay-Nakamura-Steinsson
   c. *: Mian-Sufi 11, Saiz 10, Berger-Guerrieri-Lorenzoni-Vavra

3. Housing II (January 26): The 2000s Boom and Bust
   a. Summary Slides: Greenwald-Guren or Chodorow-Reich-Guren-McQuade (your choice)
   b. **: Kaplan-Mitman-Violante, Greenwald-Guren, Chodorow-Reich-Guren-McQuade
   c. *: Favilukis-Ludvigson-Van Niuewerburgh

4. Housing III (January 31): Stabilization Policy; Bartik and Monetary Shocks
   a. Summary Slides: Ganong-Noel
   b. **: Ganong-Noel
   c. *: Autor-Dorn-Hanson, Bauer-Swanson

5. Credit, Collateral, and Monetary Policy; Credit and the Great Recession (February 2)
   a. Summary Slides: Khwaja-Mian or Chodorow-Reich (your choice)
   b. ** Khwaja-Mian, Chodorow-Reich
   c. *: Chaney-Sraer-Thesmar, Autor-Dorn-Hanson, Bauer-Swanson (Macro Annual)

6. Fiscal Multipliers, Aggregation I (February 7)
   a. Summary Slides: Nakamura-Steinsson
   b. **: Nakamura-Steinsson
   c. *: Shoag, Suarez Serrato-Wingender, Chodorow-Reich

7. Aggregation II (February 9)
   a. Summary Slides: Herreño or Wolf (your choice)
   b. **: Beraja-Hurst-Ospina

8. HANK 1: The Heterogenous Agent New Keynesian Model (February 14)
   a. ** Reading Group Paper 1: Kaplan-Moll-Violante
      i. KMOV 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: Smets-Wouters
   c. ** Reading Group Paper 3: Auclert-Bardoczky-Rognlie-Straub
      i. Related Papers: See computational papers above.

9. HANK 2: Inspecting the Mechanism: Redistribution and Incomplete Markets (February 16)
   a. ** Reading Group Paper 1: Auclert
      i. Auclert Related Papers: Doepke-Schneider
   b. ** Reading Group Paper 2: Werning
i. Related Papers: Auclert-Rognlie-Straub (Intertemporal Keynesian Cross)

10. HANK 3: Investment and HANK (February 23)
   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

11. HANK 4: Durables and Mortgages in HANK February 28)
   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

12. HANK 5: New Microdata on Heterogeneity and HANK, Misallocation and Monetary Policy, Optimal Policy in Hank (March 2)
   a. ** Reading Group Paper 1: Holm-Paul-Tischbirek
   b. ** Reading Group Paper 2: Baqae-Farhi-Sangani
      i. Related Papers: Baqae-Farhi
   c. *** Reading Group Paper 3: Davila-Schaab
      i. Related Papers: McKay-Wolf

13. HANK 6: Behavioral HANK
   a. ** Reading Group Paper 1: Farhi-Werning
      i. Related Papers: Gabaix, Pfauti-Seyrich
   b. ** Reading Group Paper 2: Laibson-Maxted-Moll
      i. Related papers: Rigato