Economics 742a Reading List and Lecture Plan
Adam Guren, Spring 2024

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 II: Fiscal Multipliers; Aggregation I
7. Aggregation II (Early Start)
8. HANK 1: HANK Models: Introduction and Estimation (Early Start)
9. HANK 2: Inspecting the Mechanism: Redistribution and Incomplete Markets
10. HANK 3: Mortgage Refinancing and Durables in HANK
11. HANK 4: Investment and HANK
12. HANK 5: Labor Markets and HANK, Optimal Policy in HANK
13. HANK 6: Misallocation and Monetary Policy, Empirical Evidence for 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**
  - **Nakamura and Steinsson (2018).** “Identification in Macroeconomics.” *JEP*.
  - **Huber (2018) “Disentangling the Effects of a Banking Crisis: Evidence From German Firms and Counties.”* AER.
  - **Guren (2018) “House Price Momentum and Strategic Complementarity.”* JPE.

- **House Prices and Consumption:**
  - **Mian and Sufi (2011) “Housing Price, Home Equity-Based Borrowing, and the U.S. Household Leverage Crisis.”* AER.
  - **Sinai and Souleles (2005) “Owner Occupied Housing as a Hedge Against Rent Risk.”* QJE.

- **The 2000s Housing Cycle**
  - **Burnside, Eichenbaum, and Rebelo (2016) “Understanding Booms and Busts in Housing Markets.”* JPE.
  - **Justiniano, Primiceri, and Tambalotti (2019) “Credit Supply and the Housing Boom.”* JPE.
  - **Landvoigt, Piazzesi, and Schenider (2015) “The Housing Market(s) of San Diego.”* AER.
  - **Kaplan, Mitman, and Violante (2020) “The Housing Boom and Bust: Model Meets Evidence.”* JPE.
  - **Guren 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 Guren (2024) “Do Credit Conditions Move House Prices?”* WP.
  - **Chodorow-Reich, Guren, and McQuade (2023) “The 2000s Housing Boom With 2020 Hindsight: A Neo-Kindlebergerian View.”* Forthcoming, RESTUD.

- **Housing Market Stabilization Policy**
  - **Agarwal, Amromin, Ben-David, Chomsisengphet, Piskorski, and Seru (2017) “Policy Intervention in Debt Renegotiation: Evidence from the Home Affordable Modification Program.”* JPE.


• Guren, Krishnamurthy, and McQuade (2021) “Mortgage Design in an Equilibrium Model of the Housing Market.” JF.

• 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.


  • Li, Plagborg-Moller, and Wolf (2022). “Local Projections vs. VARs: Lessons from Thousands of DGPs.” WP.


• Cieslak, Hansen, McMahon, and Xiao (2023). “Policymakers’ Uncertainty.” WP.

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.
• Chodorow-Reich and Falato (2021) “The Loan Covenant Channel: How Bank Health Transmits to the Real Economy.” JF.

Granular Instrumental Variables
• * Gabaix and Koijen (2024). “Granular Instrumental Variables.” JPE.
• Kundu and Vats (2022). “Banking Networks and Economic Growth: From Idiosyncratic Shocks to Aggregate Fluctuations.” WP.
• Galaasen, Jamilov Juelsrud, and Rey (2023). “Granular Credit Risk.” WP.

Firms and Collateral

Households and Bank Shocks
• Mondragon (2020) “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.

• Aggregation
  o * Carvalho, Nirei, Saito, and Tahbaz-Salehi (2021) “Supply Chain Disruptions: Evidence from the Great East Japan Earthquake.” QJE.
  o ** Herreño (2023) “Aggregating the Effect of Bank Credit Supply Shocks on Firms.” WP.

Topic 2: Heterogenous Agent New Keynesian Models

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

• Introduction to HANK (Broad Lit Reviews)
  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
  o Alisdair McKay Notes: https://alisdairmckay.com/Notes/HetAgents/index.html

• Monetary Policy with Heterogenous Agents
  o **Kaplan, Moll, and Violante (2018). “Monetary Policy According to HANK” *AER.*
  o **Auclert (2019). “Monetary Policy and the Redistribution Channel.” *AER.*
  o * Doepke and Schneider (2006). “Inflation and the Redistribution of Nominal Wealth.” *JPE.*

• HANK vs. TANK

• Estimating HANK
  o Bayer, Born, and Luetticke (2024). “Shocks, Frictions, and Inequality in U.S. Business Cycles.” *AER.*

• Fiscal Policy With Heterogenous Agents
  o **Auclert, Rognlie, and Straub (2024). “The Intertemporal Keynesian Cross.” *JPE.*

**Mortgage Refinancing and HANK**

**Durable Goods and HANK**

**Investment and HANK**

**Unemployment and HANK**
- ** Alves and Violante (2023). “Some Like It Hot: Monetary Policy Under Okun’s Hypothesis.” WP.


• Optimal Policy in HANK

  o ** Davila and Schaab (2023). “Optimal Monetary Policy With Heterogenous Agents: Discretion, Commitment, and Timeless Policy.” WP.


  o Acharya, Challe, and Dogra (2024). “Optimal Monetary Policy According to HANK” AER.


• Misallocation and Monetary Policy


  o Baqaee and Farhi (2020) “Productivity and Misallocation in General Equilibrium.” QJE.

• Empirical Evidence on HANK


  o Andersen, Johannesen, Jorgensen and Peydro (2023). “Monetary Policy and Inequality” JF.


  o * Boehm, Fize, and Jaravel (2023). “Five Facts about MPCs: Evidence From a Randomized Experiment.” WP.


  o ** Aguiar, Boar, Bils (2024). “Who Are the Hand-To-Mouth?” RESTD.

• Behavioral HANK (Bonus this year, covered in past years)

  o * 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**
  - Andersen, Campbell, Nielsen, and Ramadorai (2020) “Sources of Inaction in Household Finance: Evidence from the Danish Mortgage Market” *AER*.
  - Kindermann, Le Blanc, Piazzesi and Schneider (2021) “Learning About Housing Cost: Survey Evidence from the German House Price Boom.” WP.

- **Housing Supply**
  - Baum-Snow and Han (2024) “The Microgeography of Housing Supply.” *JPE*.
Starred Readings By Lecture

1. Introduction (January 18)
   a. Class Discussion: Nakamura-Steinsson, Huber
   b. **: Nakamura-Steinsson, Huber

2. Housing I (January 23): 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 25): 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. *: Favlukis-Ludvigson-Van Niuwerburgh

4. Housing III (January 30): 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 1)
   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 6)
   a. Summary Slides: Nakamura-Steinsson
   b. **: Nakamura-Steinsson
   c. *: Shoag, Suarez Serrato-Wingender, Chodorow-Reich

7. Aggregation II (February 8)
   a. Summary Slides: Herreño or Wolf (your choice)
   b. **: Beraja-Hurst-Ospina, Hazell- Herreño-Nakamura-Steinsson
   c. *: Mian-Sufi (2014), Carvalho-Nirei-Saito-Tahbaz-Salehi, Wolf, Herreño,

8. HANK Lecture 1: Heterogenous Agent New Keynesian Models: Intro and Estimation (February 13)
   a. Summary Slides: Auclert-Rognlie-Straub (Micro Jumps Macro Humps)
   b. **: Auclert-Rognlie-Straub (MJMH), Kaplan-Moll-Violante
   c. *: Debortoli-Gali, Smets-Wouters
   d. **: Computational (covered in Auclert DV lectures): Auclert-Bardoczy-Rognlie-Straub

9. HANK Lecture 2: Inspecting the Mechanism: Redistribution and Incomplete Markets (February 15)
   a. Summary Slides: Auclert
   b. **: Auclert, Auclert-Rognlie-Straub (Intertemporal Keynesian Cross)
   c. *: Werning, Doepke-Schneider

10. HANK Reading Group 1: Mortgage Refinancing and Durables in HANK (February 20)
    a. ** Reading Group Paper 1: Berger-Milbradt-Tourre-Vavra
i. Related Papers: Eichenbaum-Rebelo-Wong, Anenberg-van Straelen-Scharlemann
   ii. Background Papers: Wong, Greenwald
b. ** Reading Group Paper 2: McKay-Wieland
   i. Related Papers: Berger-Vavra, Beraja-Zorzi

11. HANK Reading Group 2: Investment and HANK (February 22)
   a. ** Reading Group Paper 1: Kekre-Lenel,
      i. Related Papers: Bernanke-Gertler-Gilchrist, Kekre-Lenel, Mainardi
   b. ** Reading Group Paper 2: Ottonello-Winberry
      i. Related Papers: Dreschel, Jeenas

12. HANK Reading Group 3: Labor Markets and HANK, Optimal Policy in HANK (February 27)
   a. ** Reading Group Paper 1: Alves-Violante
      i. Related Papers: Graves-Huckfeldt-Swanson, Gorenemann-Kuester-Nakajima
   b. ** Reading Group Paper 2: Davila-Schaab
      i. Related Papers: McKay-Wolf, Acharya-Challe-Dogra

13. HANK Reading Group 4: Misallocation and Monetary Policy, Empirical Evidence for HANK (February 29)
   a. ** Reading Group Paper 1: Baqaee-Farhi-Sangani
      i. Related Papers: Baqaee-Farhi
   b. Empirical Evidence for HANK (Adam Lecture):
      i. **: Holm-Paul-Tischbirek, Aguiar-Bils-Boar