Course overview

Topics on Macroeconomy B: Recent developments in Applied Macroeconomics

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The course will explore topics in applied macroeconomics, with emphasis on the intersection of empirical analysis and theory. Topics may include monetary policy, fiscal policy, financial frictions, and labor markets. The course will present a variety of empirical methods, such as the narrative approach, VAR analysis, and the use of cross-sectional data in macroeconomics, as well as theoretical models such as Standard DSGE NK Models and DSGE models with SAM and HANK features.

Prerequisites

Completion of the first year Ph.D sequence, or permission of instructor.

Requirements in brief

Weekly readings, two homework assignments, two referee reports, and a final “virtual” paper.

Grade

Paper (65%), other homeworks (25%), class participation (10%)

Requirements details

Weekly readings

Much of the class will revolve around discussion of assigned readings. This makes it essential that you read the papers before lecture and come prepared to discuss and critique them.

Homework I

The first homework will be a data exploration project. Students should discuss ideas together, but each student must complete the assignment separately.

Homework II

The second homework will build quantitative skills with a focus on simulations of a theoretical model. You may work together, but each student must submit his/her own write up.

Referee reports
Students will complete two referee reports. You will be assigned papers during the course. A referee report should contain:

- A one-half page to one page summary of the paper. The summary should not simply repeat the abstract. If there is a key equation in the paper, put it in the summary with the relevant context. The summary should also include an assessment of the paper’s contribution to the literature.
- Two to four pages of analysis of the paper. What did you like, what could be improved, and what did the authors just get wrong? Make your report a stand alone document, repeating key arguments or equations from the paper as necessary before praising or critiquing them.

**Paper**

This will be your main project for the course. It is a virtual paper in that you do not have to completely finish the paper – but you should make significant progress on it. You will formulate an original research idea, develop a practical plan for executing the idea, and take initial steps in the execution. The paper may the following form:

1. Introduction: What is the question and why is the question of interest?
2. Literature Review: How does your paper fit into the broader literature?
3. Theoretical Motivation: This could be actual theory or just a sketch of the relevant theory that underlies your question.
4. Data: What data would you use to answer/address this question? Why are the data well suited to the question?
5. Empirical Methodology: How would you use the data to answer your question? Be explicit about identification and causality, keeping in mind that the same set of empirical facts can often support many theories. Depending on the nature of your question and the ease of accessing and using the data, I may ask you to make significant progress in the actual implementation of your proposed empirical work.
6. Falsification Tests: What other specifications, tests and investigations could either bolster or cast doubt upon the primary tests of your hypotheses?
7. Preliminary Results: The extent of the results provided will differ across students based on the project and discussions with me.

**Deadlines for the paper:**

- Last day of the exam week in the summer course.
- Presentations of research projects will follow in a separate class.

You may request approval from me to work jointly on the virtual paper. Of course the bar for sufficient progress will be higher for joint projects.
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Monetary and fiscal policy: Theory


Jesús Fernández-Villaverde, Grey Gordon, Pablo Guerrín-Quintana, and Juan F. Rubio-Ramírez.


Monetary and fiscal policy: TANK and HANK models


P.J. Kehoe, V. Midrigan, E. Pastorino and S. Salgado “On the Dynamic Effects of Monetary Policy with Heterogeneous Agents” available at: https://drive.google.com/file/d/1IscoqsGiijblq6aDVQGtyOcXiKBa28Pv/view

Gergo Motyovzski, Monetary-Fiscal Interactions and Redistribution in Small Open Economies, mimeo 2020
Monetary and fiscal policy: VARs


Monetary and fiscal policy: Narrative approach


Fiscal policy: Cross-sectional evidence


Canova, F. Should we trust cross-sectional multiplier estimates? Mimeo available at: https://drive.google.com/file/d/1VOBWbH5FGRpsRDrd-i1hUf1upHm3NxL_/view

Student presentations