NK\_DEFK17 -- "The Great Escape? A Quantitative Evaluation of the Fed’s Liquidity Facilities"

This paper uses two credit frictions to demonstrate that unconventional monetary policy with private assets are not irrelevant—i.e., challenging Wallace (1981) where there is no role for liquidity at the ZLB. These credit frictions are the financing constraint and, the key part, the resaleability constraint (that one can only sell a certain percentage of illiquid private assets while government paper is completely liquid). They based the model on Kiyotaki and Moore and model a shock to the resaleability of private paper to “replicate” the 2008 crisis. They borrow Krishnamurthy Vissing-Jorgensen (2012)’s estimate of a convenience yield and have "remaining targets are chosen to pin down the other steady-state parameters…choose them as to minimize the squared deviations of the model implied values from the data." Overall, this model seems fully calibrated and based on the U.S., so I’d recommend keeping it calibrated.

NK\_ET14 – “Unconventional government debt purchases as a supplement to conventional monetary policy”

Another paper on unconventional monetary policy instruments, this one advising that LSAP should be part of the normal toolbox for stabilizing output and inflation. See Table 1 for a full calibration list based on Gali (2008) and Smets and Wouters (2003 and 2007). The model appears fully calibrated and based on the U.S.

NK\_GHP16 – “Housework and fiscal expansions”

This paper investigates the size of the fiscal multiplier, focusing on the complementarity between consumption and hours worked. They find that the substitutability between home and market goods supports complementarity driving a large fiscal multiplier effect. I found the paper fairly difficult to follow but it seemed to me that it was calibrated. That said, I would ask if either of you might be able to take a look. They mentioned they use the American Time Use Survey from 2003-2010 but I don’t think this works into their parameters.

NK\_GLSV07 – “Effects of Government Spending on Consumption”

This paper examines why consumption rises in response to an increase in government spending, and they model this by assuming strictly hand-to-mouth households (they call it “rule-of-thumb”). Despite being published in a European journal, the paper is based on US data, using data from Estima’s USECON. It also uses a model rule of a Taylor (1993) rule but instead with a a coefficient of 1.5 on inflation and 0 on output gap. It appears that all parameters are calibrated except for ϕg, which “is obtained as the difference of the VAR-estimated impact effects of government spending and deficit.”