

# Financial Constraints and Household Heterogeneity in the Macroeconomy

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# Master Thesis Research Idea

## Financial Constraints and Household Heterogeneity in the Macroeconomy

My aim is to study the dynamic implications of a tightening of the household-level borrowing constraint in a macroeconomic model with heterogeneous agents (HA). My work follows and extends the analysis by Guerrieri and Lorenzoni (2017), who consider a permanently tighter borrowing limit in a model without an aggregate state space. My extension would thus pertain to adding a medium-scale New Keynesian (NK) structure to their model. In doing so, I aim to include some form of aggregate financial frictions, potentially along the lines of the recent work by Chiang and Zoch (2022).

Having obtained a full HANK model, I will investigate the non-linear transition dynamics from an initial steady state to a state of permanently tighter credit and thus shed light on aggregate and household-level consequences of such a structural change.

The model and its dynamics will be solved using the Python package Econpizza by Boehl (2023) and the methods therein.

## References

**Boehl, G.** (2023). Robust Nonlinear Transition Dynamics in HANK. Retrieved 20th April 2023, from [https://gregorboehl.com/live/hank\\_speed\\_boehl.pdf](https://gregorboehl.com/live/hank_speed_boehl.pdf).

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**Chiang, Y.-T. & Zoch, P.** (2022). *Asset Supply and Liquidity Transformation in HANK* (Working Paper No. 2022-038). St. Louis Fed. Retrieved 20th April 2023, from <https://research.stlouisfed.org/wp/more/2022-038>.

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**Guerrieri, V. & Lorenzoni, G.** (2017). Credit Crises, Precautionary Savings, and the Liquidity Trap. *The Quarterly Journal of Economics*, 132(3), 1427–1467.

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## **To-Do's**

- read literature
- think about the relevance of the model (might it be a good idea to have some data as exposition in the thesis?)

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## List of Abbreviations

<b>HA</b>	Heterogeneous Agent
<b>HANK</b>	Heterogeneous Agent New Keynesian
<b>NK</b>	New Keynesian

## **Abstract**

Abstract goes here.

# **1 Introduction**

## **Outline**

The remainder of this thesis is structured as follows. Section 2 reviews the related literature. Section 3 lays down the macroeconomic model, the numerical implementation and calibration of which is discussed in section 4. Thereafter, section 5 presents the results and section 6 concludes.

## **2 Related Literature**

## **3 Model**

## **4 Implementation and Calibration**

## **5 Results**

## **6 Conclusion**



## **Statement of Authorship**

I hereby confirm that the work presented has been performed and interpreted solely by myself except for where I explicitly identified the contrary. I assure that this work has not been presented in any other form for the fulfillment of any other degree or qualification. Ideas taken from other works in letter and in spirit are identified in every single case.

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Andreas Koundouros

Bonn, the 23rd August 2023