September 13-14

Heterogeneity, Housing, and Macroeconomic Policy: An Agenda

This talk will propose a roadmap for the construction of a new generation of models that can deliver quantitatively believable answers to two central questions:

* How do changes in interest rates affect the housing market (and thereby aggregate demand) in normal times?
* How can we quantitatively evaluate the effectiveness of alternative macroprudential policies in a world where we hope never to get data that can tell us which macroprudential policies are failures?

My topic will basically be to lay out a roadmap for future research on housing and heterogeneity, the topic of the conference. My agenda will be strongly tilted toward where I think the theoretical tools need to go, and so I will need your help in getting a comprehensive idea of where they are now.

Q1: How do changes in interest rates affect the housing market (and thereby aggregate demand) in normal times?

Q2: How can we quantitatively evaluate the effectiveness of alternative macroprudential policies in a world where we hope never to get data that can tell us which macroprudential policies are failures?

T1: Where are the theoretical tools now?

* What do we mean by theoretical tools?
  + Model features
    - Discrete choices over housing tenure, mortgage balance, and consumption
    - Discrete choice over housing tenure, continuous choice over mortgage balance and consumption
  + Computational tools
    - Root-finding
    - VFI

T2: Where do they need to be?