Econ 281

Special Topics in Economics

Spring 2025. Part II

Instructors

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Office Hours: Scheduled individually over email.

Lectures

Friday from 1:00pm to 3:50pm

Class Website

https://github.com/johanneswieland/ECON281

Course Description:

This is a short version of the class that I usually co-teach with Johannes Wieland. A lot of credit in the development in the material goes to Johannes.

The modern macroeconomists is a jack of all trades. They must be comfortable with simple theoretical models, quantitative models, cross-sectional identification, and time-series identification. In this class we focus on cross-sectional identification and how to aggregate cross-sectional moments with simple theoretical or quantitative models. By the end of this class you should be familiar with identification arguments in the cross-section, challenges in aggregating cross-sectional moments, and solving standard heterogeneous agent models.

Readings

The syllabus includes more papers than we expect the typical student to read. Readings marked with * are required.

Idea Generation

Idea generation is one of the most important part of the research process. The best time to start generating ideas was a year ago, the second best time is now. Each week we ask you to submit two research ideas related to the readings. These ideas can be about how to extend the paper, how to test the paper, or how to apply the paper to a different context.

Idea generation is hard and most ideas are either not interesting, unfeasible, or already done. This is normal! In our estimation around 95%+ of ideas are not worth pursuing. Knowing this, you should start the sampling process now and it is our job to help you triage your ideas.

Upload your ideas in a markdown document on GitHub by the end of Thursday before class. Submit by giving me read access to your GitHub repository.

Class Project

The paper should connect micro data with macro model, in line with the theme of the class. The paper does not have to be complete. It does need to be original in the sense that the main result(s) has not been previously documented in the literature.

Failure to adhere to the guidelines and present (for example) a project of another class, will give you a grade of zero.

The paper should contain two parts:

1. *A new micro data fact or causal effect.* Okay to build on (but not copy!) other work.

2. *A (simple) sketch of a macro model that connects the micro data fact to macroeconomic outcomes.*.We are not looking for pages of algebra but rather a way that tells us how important the micro fact is.

At the end of class you need to submit the paper and code. If we cannot replicate the paper figures and tables with one click or command, we will ask you to resubmit. Submit by giving us read access to your GitHub repository.

Paper deadlines:

1. 5/23/2025: Submit new micro data fact / causal effect. You submit by giving us read access to your GitHub repository.

2. 5/23/2025 - 5/30/2025: meeting for feedback. I may ask you to resubmit a new paper a week later.

3. 6/6/2025: Presentation in class.

4. 6/13/2024: Paper draft due.

Grading

Idea submissions count for 24% of the grade. The first iteration for the class project will count for 10% of the grade. The presentation will count for 10% of the grade. The final draft will count for 36% of the grade. Class participation will count for 20%.

Class participation entails closely reading the * papers on syllabus before class and participating in class discussion. If we judge that there is insufficient participation, then we will schedule a midterm and/or final to assign this grade.

I will call you so you provide details on the motivation, research question, research design, data, empirical research design, model structure, results, interpretation of results, or other aspects of the starred papers. You should expect to be called every class.

Auditing

We expect students who audit the class to submit ideas, participate in class, and do the required readings. If you want to submit your class project and get feedback on it, you need to take the class for grade.

If you fail to give answers on the questions about required readings, I will ask you to stop auditing the class.

1 Week Zero: Introduction to Empirics in Macroeconomics

Readings:

*Emi Nakamura and Jón Steinsson. Identification in macroeconomics. *Journal of Economic Perspectives*, 32(3):59–86, 2018

2 Week 1: Identification with Regional Data with an Application to Fiscal Multipliers

What is the value of the Government Expenditure Multiplier? What does it depend on?

Once we have recovered regional multipliers after increases in government expenditures or

transfers, how can one recover the aggregate multipliers? In this lecture we will cover some of the papers that move from "open-economy" multipliers, into the aggregate multiplier.

Readings:

*Michael Woodford. Simple analytics of the government expenditure multiplier. *American Economic Journal: Macroeconomics*, 3(1):1–35, 2011

*Emi Nakamura and Jon Steinsson. Fiscal stimulus in a monetary union: Evidence from us regions. *American Economic Review*, 104(3):753–92, 2014

*Gabriel Chodorow-Reich. Geographic cross-sectional fiscal spending multipliers: What have we learned? *American Economic Journal: Economic Policy*, 11(2):1–34, 2019

*Noémie Pinardon-Touati. The crowding out effect of local government debt: Micro-and macro-estimates, 2022

Emmanuel Farhi and Iván Werning. Fiscal multipliers: Liquidity traps and currency unions. In *Handbook of macroeconomics*, volume 2, pages 2417–2492. Elsevier, 2016

Adam M Guren, Alisdair McKay, Emi Nakamura, and Jón Steinsson. Housing wealth effects: The long view. *The Review of Economic Studies*, 88(2):669–707, 2021

Christian K Wolf. The missing intercept: A demand equivalence approach. Technical report, National Bureau of Economic Research, 2021

3 Regional Aggregation and the Phillips Curve

In this lecture we will cover regional cross-sectional identification and aggregation to study the determinants of inflation. What are the main threats to identify the slope of the Phillips curve? What do we learn about the aggregate Phillips curve using regional inflation?

Readings:

*Jonathon Hazell, Juan Herreno, Emi Nakamura, and Jón Steinsson. The slope of the phillips curve: evidence from us states. *The Quarterly Journal of Economics*, 137(3):1299–1344, 2022

*Michael McLeay and Silvana Tenreyro. Optimal inflation and the identification of the phillips curve. *NBER Macroeconomics Annual*, 34(1):199–255, 2020

*Juan Herreno and Mathieu Pedemonte. The geographic effects of monetary policy shocks. *Manuscript, University of California San Diego*, 2025

*Gabriel Chodorow-Reich, Gita Gopinath, Prachi Mishra, and Abhinav Narayanan. Cash and the economy: Evidence from india's demonetization. *The Quarterly Journal of Economics*, 135(1):57–103, 2020

Terry Fitzgerald, Callum Jones, Mariano Kulish, and Juan Pablo Nicolini. Is there a stable relationship between unemployment and future inflation? *American Economic Journal: Macroeconomics*, 16(4):114–142, 2024

Giulia Gitti. Nonlinearities in the regional phillips curve with labor market tightness. *Collegio Carlo Alberto Turin, mimeo*, 2024

Andrea Cerrato and Giulia Gitti. Inflation since covid: Demand or supply. *Available at SSRN 4193594*, 2022

4 Macroeconomics of Investment with Heterogeneity

In this lecture we will study how investment responses that are in line with the micro data impact the transmission of economic policy. We will discuss the challenges of incorporating heterogeneity in propensities to invest in macro models, the challenges of solving the models, and the implications this models have about the conduct of macro stabilization policy.

Readings:

*Thomas Winberry. Lumpy investment, business cycles, and stimulus policy. *American Economic Review*, 111(1):364–96, 2021

*Rohan Kekre and Moritz Lenel. Monetary policy, redistribution, and risk premia. Technical report, National Bureau of Economic Research, 2021

*Aime Bierdel, Andres Drenik, Juan Herreno, and Pablo Ottonello. Illiquid lemon markets and the macroeconomy. 2025

*Pablo Ottonello and Thomas Winberry. Financial heterogeneity and the investment channel of monetary policy. *Econometrica*, 88(6):2473–2502, 2020

*Sylvain Catherine, Thomas Chaney, Zongbo Huang, David Alexandre Sraer, and David

Thesmar. Quantifying reduced-form evidence on collateral constraints. *Available at SSRN 2631055*, 2018

Pablo Ottonello. Capital unemployment. *Review of Economic Studies*, forthcoming, 2021

Isaac Baley and Julio Blanco. The long-run effects of corporate tax reforms. 2022

Yann Koby and Christian Wolf. Aggregation in heterogeneous-firm models: Theory and measurement. *Manuscript, July*, 2020

5 Macroeconomics of Consumption with Heterogeneity

In this lecture we will study how consumption responses that are in line with the micro data impact the transmission of economic policy. We will discuss the challenges of incorporating heterogeneity in MPCs in macro models, the challenges of solving the models, and the implications this models have about the conduct of macro stabilization policy.

Readings:

*Adrien Auclert, Matthew Rognlie, and Ludwig Straub. Micro jumps, macro humps: Monetary policy and business cycles in an estimated hank model. Technical report, National Bureau of Economic Research, 2020

*Alisdair McKay and Johannes F Wieland. Lumpy durable consumption demand and the limited ammunition of monetary policy. *Econometrica*, 89(6):2717–2749, 2021

*David Berger, Konstantin Milbradt, Fabrice Tourre, and Joseph Vavra. Mortgage prepayment and path-dependent effects of monetary policy. *American Economic Review*, 111(9): 2829–78, 2021

*Martin Beraja and Nathan Zorzi. Durables and size-dependence in the marginal propensity to spend. Technical report, National Bureau of Economic Research, 2024

Alisdair McKay and Johannes F Wieland. Forward guidance and durable goods demand. *American Economic Review: Insights*, 4(1):106–22, 2022

6 Student Presentations

In this class you will present your class project. Format and time limit will be announced once we know the final enrollment of the class.