**Recent Research in Macro - Presentation 14.01.2017**

-Outline Slides-

1. The concept of myopic agents
2. Gabaix’s 5 key findings
3. Central equations
4. What did we want to replicate?
   1. 2 of 5 key findings: solving the forward guidance puzzle & showing that the ZLB is less costly
   2. deriving the first order conditions & steady state
5. Difficulties beforehand
   1. Gabaix does not have IRFs for all of his results
      1. our approach: always try to prove his results with IRF
   2. Which version of the NK model does Gabaix refer to?
      1. standard NK model (also used in M&F lecture)
6. Difficulties in reimplementing
   1. Forward guidance:
      1. How many periods of FG? →not mentioned by Gabaix, but dimension of FG guidance with big implications
      2. Only monetary shock to system via Taylor rule?
   2. ZLB:
      1. How to implement ZLB (which of the methods used in Dynare sessions)
7. Results
   1. FG:
      1. IRF for monetary shocks (FG for e.g. 10 periods) show that for m=1, there is a big positive hike in output, while for m<1, the output gap is a lot less pronounced
         1. How do results change for myopic firms only, different (partial) m values
      2. also replicate graph on p.24 (response of current inflation to FG with time horizon on x axis)?
   2. ZLB
      1. Replicate graph on p.25?
      2. Playing around with different parameter values (not only m)
8. Interpretation of our results
9. Discussion of Gabaix’s approach
   1. Does an m<1 already make it a behavioral model?
   2. Gabaix’s “strong” assumption on relation between price stickiness and m
   3. tedious derivation of key equations: it’s not just about adding an m to the standard NK equations!
10. Outlook
    1. What’s left to do