Special Project in Econ Research | Spring '26

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Introduction

Who am I

- I hold a PhD in Economics from Columbia University
- Currently work at Graham Capital Management as a Portfolio Analyst

Who are you?

- Interest in:
    1. Academia?
    2. Private sector jobs? Of what kind?
    3. Policy job?

Structure of the course

Roadmap I

1. Groups are formed – deadline: next week (Jan 28)
   - if there are ungrouped people by week 3, I will act as central planner

2. Pick a few interesting topics you may be interested in writing about
   - I have listed a few here

3. Study the literature on chosen topics and present to the class

4. Decide on your own project:
   - usually an incremental research question starting from the presented papers, replication or methodological tweak
   - weeks 2 - 7, in parallel with topic presentations

5. Deliver project plan
   - a concrete, actionable plan that can be executed in 7 weeks
   - deadline: Mar 6th
   - (continues →)

Roadmap II

3. Execution: results and write-up

   - Present progress to class throughout the rest of the course

   - Preliminary draft due on April 28th

   - Final write-up due no later than May 8th

Roadmap: advice

- There is little time
- Topic choice
    - Pick a topic quickly and commit; do not overexplore
- Literature/topic presentations
    - Do not fall into the 'earlier literature' trap
    - Keep in mind whether you have access to relevant data
- You will need to allocate significant time each week. You will not be able to 'wing it'
- I expect you to pro-actively seek feedback and advice
    - The best projects so far have been done by groups that sought consistent feedback

What constitutes a reasonable project

1. Extension of existing literature
   - Applies same methodology to different (preferably interesting) context
   - Different methodology to same question
2. A successful replication of an advanced empirical/computational paper
3. Original ideas are welcome
   - Advice: be modest

Evaluation

1. Evaluation criteria:
    1. Class participation (20%)
        - Ability to demonstrate understanding of literatures
        - Intake of professor / classmate feedback
    2. Final draft quality (80%)

Comments on project requirements

- Needs to be a complete draft with introduction, literature review, methodology, findings and conclusion
- No requirement in terms of number of words or number of pages
  - you will get no points for adding boilerplate text / adjectives / adverbs
- Syllabus will be uploaded by next week

Topics

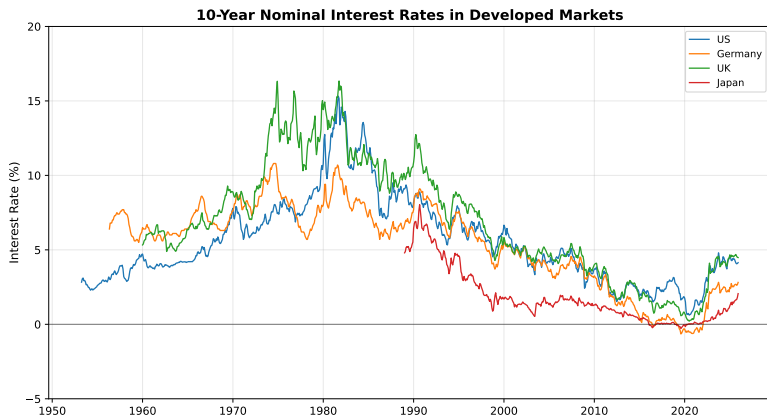# Interest rate trends in developed markets

Figure: Nominal interest rates in developed markets, 1950s–present

- Rose gradually from early 1950s, peaked in early-to-mid 1980s
- Declining trend since then to historically low levels by 2010s

Are we in still in a secular stagnation world?

- Post-GFC world characterized by: low inflation, low growth, low interest rates
- Academics believed structural / secular shift drove interest rates down
    - Population growth / demographic shifts
        - Eggertsson, Mehrotra, and Summers 2016
    - Financial frictions
        - Caballero, Farhi, and Gourinchas 2008
- Question: are we going back to 2010-2020 equilibrium, or are rates 'higher for longer'?
    - Holston, Laubach, and Williams 2017

What are the limits to DMs fiscal capacity?

- Large, wartime-like fiscal expansion after 2020 pandemic
    - subsequent inflation + contractionary monetary policy
    - decline in value of government bond stock $\Rightarrow$ loss to bondholders
- Questions:
    1. What is the connection between the size of fiscal expansion and current level of rates?
    2. How much additional fiscal capacity does 'dollar dominance' impart into US government?
    3. How much gov't deficit countercyclicality was / is priced into government yield curves?
- References:
    - Gomez Cram, Kung, and Lustig 2025
    - Jiang et al. 2023

The (macro-)economic impact of AI

- Quantifying AI: labor market impacts
    - Source of massive white-collar unemployment?
    - Large productivity gains?
    - References:
        - Acemoglu 2025
        - Eloundou et al. 2024
- AI and asset prices
    - 'Magnificent seven' explained bulk of stock market returns in the US over last few years
    - How much do public and private valuations reflect reasonable fundamentals?
    - Can such elevated asset prices be justified in general equlibrium?
        - Caballero 2025

Resources

Literature

- Google scholar is your friend
- If not doing so already, subscribe to NBER working paper series
  - A number papers that end up being published in the best journals first show up in NBER
  - Good for understanding what are hot topics
  - You can filter by topics of interest

Data

- For macroeconomic data, the St. Louis Fed FRED has plenty of relevant data
  - API accessible, so AI friendly
- NYU libraries offer many datasets
  - Most relevant for financial markets is WRDS
- Academic papers often have 'replication packages'
  - Often buried on journal pages and hard to find
  - Sometimes these things don't get picked up by google

AI

- Some words on AI usage
  - Cursor, claude code, chatbots, workflow managers - all fair game for coding / data manipulation / bouncing ideas
  - I expect writeups to be almost entirely your work
    - I don't mind use of AI tools for minor style adjustments / checks
  - Last class will be a presentation of the final project – AI cannot present your work for you!

Biblio

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