

Question 1

The student is *de facto* asked to replicate Section 2 in Monacelli (2009).

Question 2

The student is *de facto* asked to replicate Section 6 in Monacelli (2009).

Question 3

The student is asked to provide counterfactual evidence on the key message of Monacelli (2009), that is credit frictions help at producing positive sectoral co-movement. A similar exercise is conducted by Sterk (2010).

References

- [1] Monacelli, T., 2009, “New Keynesian Models, Durable Goods, and Collateral Constraints”, *Journal of Monetary Economics*, Vol. 56 (2), pp. 242–254.
- [2] Sterk, V., 2010, “Credit Frictions and the Comovement between Durable and Non-durable Consumption”, *Journal of Monetary Economics*, Vol. 57 (2), pp. 217–225.