

# MACRO II

**Professor: Moritz Schularick**

## COURSE DESCRIPTION

Aim of the course: This course will familiarize students with recent research in empirical macroeconomics. A particular emphasis will be placed on the notion of causality in macroeconomics, the origins of financial instability as well as the insights from long-run perspectives linking current debates about financial instability, asset prices, savings, debt and inequality.

### 1. Introduction, 6.4.

\*Caballero, R. J. (2010). Macroeconomics after the crisis: time to deal with the pretense-of-knowledge syndrome. *Journal of Economic Perspectives*, 24(4), 85-102. <https://doi.org/10.1257/jep.24.4.85>

Jordà, Ò., Schularick, M., & Taylor, A. M. (2017). Macrofinancial history and the new business cycle facts. *NBER macroeconomics annual*, 31(1), 213-263. <https://doi.org/10.1086/690241>

Mian, A., & Sufi, A. (2018). Finance and business cycles: The credit-driven household demand channel. *Journal of Economic Perspectives*, 32(3), 31-58. <https://doi.org/10.1257/jep.32.3.31>

### 2. The Great Depression, 8.4.

\*Friedman, Milton and Anna Schwarz, 1963. A Monetary History of the United States, Chapter 7, 1963, pp. 299-419, Princeton University Press.

\*Bernanke, Ben. 1995. The Macroeconomics of the Great Depression: A Comparative Approach, *Journal of Money, Credit and Banking*, Vol. 27, No. 1 (Feb., 1995), pp. 1-28

Calomiris, Charles and Joseph Mason, 2003. Consequences of Bank Distress During the Great Depression, *American Economic Review*, 937-946.

Eichengreen, Barry, and Jeffrey D. Sachs. 1985. Exchange Rates and Economic Recovery in the 1930s. *Journal of Economic History* 45 (December 1985): 925-46.

Romer, Christina and David Romer, 2012. Friedman and Schwartz's Monetary Explanation of the Great Depression: Old Challenges and New Evidence, *American Economic Review*: 2-9.

### **3. Financial instability I: crises, 13.4.**

\*Schularick, M., & Taylor, A. M. (2012). Credit booms gone bust: Monetary policy, leverage cycles, and financial crises, 1870-2008. *American Economic Review*, 102(2), 1029-61. <https://doi.org/10.1257/aer.102.2.1029>

Baron, M., Verner, E., & Xiong, W. (2021). Banking crises without panics. *The Quarterly Journal of Economics*, 136(1), 51-113. <https://doi.org/10.1093/qje/qjaa034>

Greenwood, R., Hanson, S. G., Shleifer, A., & Sørensen, J. A. (2021). Predictable financial crises. *Journal of Finance*. <https://doi.org/10.3386/w27396>

### **4. Financial instability II: causes, 20.4.**

\*Baron, M., & Xiong, W. (2017). Credit expansion and neglected crash risk. *The Quarterly Journal of Economics*, 132(2), 713-764. <https://doi.org/10.1093/qje/qjx004>

Bordalo, P., Gennaioli, N., & Shleifer, A. (2018). Diagnostic expectations and credit cycles. *The Journal of Finance*, 73(1), 199-227. <https://doi.org/10.1111/jofi.12586>

Jordà, Ò., Richter, B., Schularick, M., & Taylor, A. M. (2021). Bank capital redux: solvency, liquidity, and crisis. *The Review of Economic Studies*, 88(1), 260-286. <https://doi.org/10.1093/restud/rdaa040>

### **5. Tutorial: crisis prediction and local projections, 22.4.**

### **6. Financial instability III: the aftermath, 27.4.**

\*Jordà, Ò., Schularick, M., & Taylor, A. M. (2013). When credit bites back. *Journal of money, credit and banking*, 45(s2), 3-28. <https://doi.org/10.1111/jmcb.12069>

Jordà, Ò., Kornejew, M., Schularick, M., & Taylor, A. M. (2020). Zombies at large? Corporate debt overhang and the macroeconomy, *Review of Financial Studies*. <https://doi.org/10.3386/w28197>

Mian, A., Sufi, A., & Verner, E. (2017). Household debt and business cycles worldwide. *The Quarterly Journal of Economics*, 132(4), 1755-1817. <https://doi.org/10.1093/qje/qjx017>

Müller, K., & Verner, E. (2021). Credit allocation and macroeconomic fluctuations. *Available at SSRN 3781981*. <http://dx.doi.org/10.2139/ssrn.3781981>

## **7. Monetary policy, propagation, distributional effects, 29.4.**

\*Nakamura, E., & Steinsson, J. (2018). Identification in macroeconomics. *Journal of Economic Perspectives*, 32(3), 59-86. <https://doi.org/10.1257/jep.32.3.59>

Jordà, Ò., Schularick, M., & Taylor, A. M. (2020). The effects of quasi-random monetary experiments. *Journal of Monetary Economics*, 112, 22-40. <https://doi.org/10.1016/j.jmoneco.2019.01.021>

Kuhn, M., Bartscher, A., Schularick, M., & Wachtel, P. (2021). Monetary policy and racial inequality. *CEPR Discussion Paper No. 15734*. Available at SSRN: <https://ssrn.com/abstract=3783960>

Ramey, V. A. (2016). Macroeconomic shocks and their propagation. *Handbook of macroeconomics*, 2, 71-162. <https://doi.org/10.1016/bs.hesmac.2016.03.003>

Tenreyro, S., & Thwaites, G. (2016). Pushing on a string: US monetary policy is less powerful in recessions. *American Economic Journal: Macroeconomics*, 8(4), 43-74. <https://doi.org/10.1257/mac.20150016>

Boyarchenko, N., Favara, G., & Schularick, M. (2022). Financial Stability Considerations for Monetary Policy: Empirical Evidence and Challenges. *FRB of New York Staff Report*, (1003). <http://dx.doi.org/10.2139/ssrn.4035916>

Schularick, M., Ter Steege, L., & Ward, F. (2021). Leaning against the wind and crisis risk. *American Economic Review: Insights*, 3(2), 199-214. <https://doi.org/10.1257/aeri.20200310>

## **8. The effects of fiscal policy, 4.5.**

\*Ramey, V. A. (2011). Identifying government spending shocks: It's all in the timing. *The Quarterly Journal of Economics*, 126(1), 1-50. <https://doi.org/10.1093/qje/qjq008>

\*Romer, C. D., & Romer, D. H. (2010). The macroeconomic effects of tax changes: estimates based on a new measure of fiscal shocks. *American Economic Review*, 100(3), 763-801. <https://doi.org/10.1257/aer.100.3.763>

Blanchard, O., & Perotti, R. (2002). An empirical characterization of the dynamic effects of changes in government spending and taxes on output. *The Quarterly Journal of Economics*, 117(4), 1329-1368. <https://doi.org/10.1162/003355302320935043>

Ilzetzki, E., Mendoza, E. G., & Végh, C. A. (2013). How big (small?) are fiscal multipliers?. *Journal of monetary economics*, 60(2), 239-254. <https://doi.org/10.1016/j.jmoneco.2012.10.011>

Jordà, Ò., & Taylor, A. M. (2016). The time for austerity: estimating the average treatment effect of fiscal policy. *The Economic Journal*, 126(590), 219-255. <https://doi.org/10.1111/econj.12332>

Ramey, V. A., & Zubairy, S. (2018). Government spending multipliers in good times and in bad: evidence from US historical data. *Journal of political economy*, 126(2), 850-901. <https://doi.org/10.1086/696277>

## 9. Household income and consumption, 6.5.

\*Fuchs-Schündeln, N., & Hassan, T. A. (2016). Natural experiments in macroeconomics. In *Handbook of macroeconomics*, 2, 923-1012. Elsevier. <https://doi.org/10.1016/bs.hesmac.2016.03.008>

Hsieh, C. T. (2003). Do consumers react to anticipated income changes? Evidence from the Alaska permanent fund. *American Economic Review*, 93(1), 397-405. <https://doi.org/10.1257/000282803321455377>

Johnson, D. S., Parker, J. A., & Souleles, N. S. (2006). Household expenditure and the income tax rebates of 2001. *American Economic Review*, 96(5), 1589-1610. <https://doi.org/10.1257/aer.96.5.1589>

Parker, J. A., Souleles, N. S., Johnson, D. S., & McClelland, R. (2013). Consumer spending and the economic stimulus payments of 2008. *American Economic Review*, 103(6), 2530-53. <https://doi.org/10.1257/aer.103.6.2530>

## 10. Household portfolios, asset prices and wealth inequality, 11.5.

\*Kuhn, M., Schularick, M., & Steins, U. I. (2020). Income and wealth inequality in America, 1949–2016. *Journal of Political Economy*, 128(9), 3469-3519. <https://doi.org/10.1086/708815>

Bach, L., Calvet, L. E., and Sodini, P. 2020. Rich pickings? Risk, return, and skill in household wealth. *American Economic Review*, 110(9): 2703-2747.

Fagereng, A., Guiso, L., Malacrino, D., & Pistaferri, L. (2020). Heterogeneity and persistence in returns to wealth. *Econometrica*, 88(1), 115-170. <https://doi.org/10.3982/ECTA14835>

Piketty, T., & Zucman, G. (2014). Capital is back: Wealth-income ratios in rich countries 1700–2010. *The Quarterly Journal of Economics*, 129(3), 1255-1310. <https://doi.org/10.1093/qje/qju018>

## 11. Asset prices and wealth returns, 13.5.

\*Jordà, Ò., Knoll, K., Kuvshinov, D., Schularick, M., & Taylor, A. M. (2019). The rate of return on everything, 1870–2015. *The Quarterly Journal of Economics*, 134(3), 1225-1298. <https://doi.org/10.1093/qje/qjz012>

Amaral, F., Dohmen, M., Kohl, S., & Schularick, M. (2021). Superstar Returns. *FRB of New York Staff Report*, (999). <http://dx.doi.org/10.2139/ssrn.3992670>

Golez, B., & Koudijs, P. (2018). Four centuries of return predictability. *Journal of Financial Economics*, 127(2), 248-263. <https://doi.org/10.1016/j.jfineco.2017.12.007>

Jordà, Ò., Schularick, M., & Taylor, A. M. (2019). *The total risk premium puzzle* (No. w25653). National Bureau of Economic Research. <https://doi.org/10.3386/w25653>

Kuvshinov, D., & Zimmermann, K. (2021). The big bang: Stock market capitalization in the long run. *Journal of Financial Economics*. <https://doi.org/10.1016/j.jfineco.2021.09.008>

## **12. Inequality, saving, and debt, 18.5.**

\*Mian, A. R., Straub, L., & Sufi, A. (2020). *The saving glut of the rich* (No. 26941). National Bureau of Economic Research. <https://doi.org/10.3386/w26941>

Bartscher, A., M.Kuhn, M.Schularick, and U. Steins (2020), Modigliani Meets Minsky: Inequality, Debt and Financial Fragility, March 2020, CEPR Discussion Paper No. 14667.

Bauluz, L., Novokmet, F., & Schularick, M. (2021). The Anatomy of the Global Savings Glut. Working Paper.

Dynan, K. E., Skinner, J., & Zeldes, S. P. (2004). Do the rich save more?. *Journal of Political Economy*, 112(2), 397-444. <https://doi.org/10.1086/381475>