

ECON 6120P, Fall 2020

Advanced Macroeconomics

Instructor: Byoungchan Lee

Office: 6068 LSK

Class Meets: Tu 2 – 5:50 PM,

Zoom ID: 981 7414 9739

Office Hours: Mo 3 – 5 PM,

LSK 6068 / Zoom ID: 974 6294 8420

Syllabus

The course covers empirical and theoretical tools of applied macroeconomics, with an emphasis on implementation and computation. It is for Ph.D. students, although anyone who is serious about macroeconomics is welcomed. After successful completion of the course, students will be equipped with various statistical and computational tools. Furthermore, they will be able to understand the methods used for applied macroeconomic research and to apply these methods to address their research questions.

Exercise questions will be assigned on a weekly basis to facilitate learning. These exercises will involve a substantial amount of computation, which will help the students to practice the tools. Although the students can use any software to do computer projects, I can assist only with MATLAB.

Grade

- 1) 50% = Weekly assignments. Students must submit both word-processed reports and self-contained code. Make sure that the results in your report can be reproduced by anyone using your code. To complete each homework, it may take two or more days every week.
- 2) 40% = Project. It can be either an **independent research** project or a **replication study**. For the replication study, one should select a paper that provides a cutting-edge treatment of the topic that the student is interested in. Students should have a meeting with the instructor to discuss his or her projects and get approval before October 23. The completed project, including a draft and stand-alone code, should be submitted by December 15.
- 3) 10% = Presentation of the project. Students will present their projects on December 1.

Prerequisites: first-year graduate sequence in macroeconomics and econometrics, or their equivalents.

Intended Learning Goals

Upon successful completion of this course, students should be able to:

- 1) Have up-to-date and in-depth knowledge of applied macroeconomics.
- 2) Discuss the empirical and theoretical results on structural shocks and their propagation mechanisms.
- 3) Apply relevant tools to answer academic questions that students have as independent researchers.

Recommended textbooks

There is no required textbook. I list several books that I find useful for general reference.

1) Time-series / Bayesian Statistics

Hamilton, James. 1994. *Time Series Analysis*. Princeton University Press.

Enders, Walter. 2009. *Applied Econometric Time Series*. 3rd ed. Wiley.

Brockwell, Peter J., and Richard A. Davis. 1991. *Time Series: Theory and Methods*. 2nd ed. Springer.

Brillinger, David R. 1981. *Time Series: Data Analysis and Theory*. Society for Industrial and Applied Mathematics.

Gelman, Andrew et al. 2013. *Bayesian Data Analysis*. CRC Press.

Geweke, John. 2005. *Contemporary Bayesian Econometrics and Statistics*. John Wiley & Sons.

2) VAR

Kilian, Lutz, and Helmut Lütkepohl. 2017. *Structural Vector Autoregressive Analysis*. Cambridge University Press.

Lütkepohl, Helmut. 1993. *Introduction to Multiple Time Series Analysis*. Springer.

Favero, Carlo. 2001. *Applied Macroeconometrics*. Oxford University Press.

3) Applied Macro/DSGE

Canova, Fabio. 2007. *Methods for Applied Macroeconomic Research*. Princeton University Press.

De Jong, David, and Chetan Dave. 2011. *Structural Macroeconometrics*. 2nd ed. Princeton University Press.

Herbst, Edward P., and Frank Schorfheide. 2015. *Bayesian Estimation of DSGE Models*. Princeton University Press.

4) Computation of Quantitative Macroeconomic Models

Heer, Burkhard and Alfred Maussner. 2005. *Dynamic General Equilibrium Modelling: Computational Methods and Applications*. 2nd ed. Springer.

Mario Miranda and Paul Fackler. 2002. *Applied Computational Economics and Finance*. MIT Press.

Judd, Kenneth L. 1998. *Numerical Methods in Economics*. MIT press.

Tentative Topics

1. Time-series (2 weeks);
ARIMA, ARCH, Unit-root, Filtering
2. State-space models (1 week);
Kalman filter, Dynamic factor models
3. VAR (3 week);
Reduced form, Short-run identification, Long-run identification, Other methods for identification, Cointegration
4. Single equation methods (1 week);
ADL models, Local projections
5. DSGE (2 week);
Review of linearization-based methods, Higher-order local approximation, Occasionally binding constraints, Estimation (Calibration, GMM, MLE, Bayesian methods)
6. Dynamic programming (1 week);
Computation of value functions and/or policy functions
7. Heterogeneous agent models (2 week);
Bewley-Hugget-Aiyagari, Krusell and Smith, HANK

Readings

If you are serious about macroeconomics, try to read all the papers (or at least papers with *) on the list.

* Summers, Larry. 1991. "The Scientific Illusion of Empirical Macroeconomics," *Scandinavian Journal of Economics* 93(2): 129-148.

* Ramey, Valerie A. 2016. "Macroeconomic shocks and their propagation." *Handbook of Macroeconomics*. Vol. 2. Elsevier, 71-162.

Cochrane, John H. 1994. "Shocks." *Carnegie-Rochester Conference Series on Public Policy*. Vol. 41. North-Holland,

1. Time-series

a. Theory

Hamilton, Chapters 3, 6, and 17.

Canova, Chapter 3.

De Jong and Dave, Chapter 3.

Enders, Chapter 3.

b. Applications

Nelson, Charles and Charles Plosser. 1982. "Trends and Random Walks in Macroeconomic Time Series: Some Evidence and Implications." *JME* 10(2): 139–162.

- * Newey, Whitney K., and Kenneth D. West. 1987. "A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix." *ECTA* 55(3): 703-708.
- Perron, Pierre, 1989. "The Great Crash, the Oil Price Shock, and the Unit Root Hypothesis." *Econometrica* 57 (6): 1361-1401.
- Andrews, Donald W. K, and J. Christopher Monahan. 1992. "An improved heteroskedasticity and autocorrelation consistent covariance matrix estimator." *ECTA*: 953-966.
- Driscoll, John C., and Aart C. Kraay. 1998. "Consistent covariance matrix estimation with spatially dependent panel data." *REStat* 80(4): 549-560.
- Baxter, Marianne and Robert King. 1999. "Measuring Business Cycles: Approximate Bandpass Filters for Economic Time Series," *REStat* 81(4): 575–593.
- Harvey, Andrew and A. Jaeger. 1993. "Detrending, Stylized Factors, and the Business Cycle." *Journal of Applied Econometrics* 8(3): 231–247.
- * Cogley, Timothy and James Nason. 1995. "Effects of the Hodrick-Prescott Filter on Trend and Difference Stationary Time Series: Implications for Business Cycle Research." *JEDC* 19(1-2): 253–278.
- * Stock, James and Mark Watson. 1999. "Business Cycle Fluctuations in U.S. Macroeconomic Time Series." *Handbook of Macroeconomics*, Chapter 1.
- Coibion, Olivier and Yuriy Gorodnichenko. 2015. "Information Rigidity and the Expectations Formation Process: A Simple Framework and New Facts." *AER* 105(8), 2644–2678.
- Hamilton, James D. 2018. "Why you should never use the Hodrick-Prescott filter." *Review of Economics and Statistics* 100(5): 831-843.
- Lazarus, Eben et al. 2018. "HAR Inference: Recommendations for Practice." *JBES* 36(4): 541-559.
- Coibion, Olivier, Yuriy Gorodnichenko, and Mauricio Ulate. 2018. "The Cyclical Sensitivity in Estimates of Potential Output." *Brookings Papers on Economic Activity*: 343-442.

2. State-space models

a. Theory

Hamilton, Chapter 13.

Canova, Chapters 6.1 and 11.1.

Stock, James H., and Mark W. Watson. 2016. "Dynamic factor models, factor-augmented vector autoregressions, and structural vector autoregressions in macroeconomics." *Handbook of Macroeconomics*. Vol. 2. Elsevier, 415-525.

b. Applications

* Robert Townsend, 1983. "Forecasting the Forecasts of Others," *JPE* 91(4), 546-588.

Stock, James and Mark Watson. 1989. "New Indexes of Coincident and Leading Economic Indicators." *NBER Macroeconomics Annual*.

Forni, Mario, Marc Hallin, Marco Lippi, and Lucrezia Reichlin. 2000. "The Generalized Dynamic Factor Model: Identification and Estimation," *REStat* 82(4), 540-554.

Stock, James and Mark Watson. 2002. "Macroeconomic forecasting using diffusion indexes," *JBES* 20 (2), 147-162.

- * Michael Woodford, 2002, "Imperfect Common Knowledge and the Effects of Monetary Policy," in P. Aghion, R. Frydman, J. Stiglitz, and M. Woodford, eds., *Knowledge, Information, and Expectations in Modern Macroeconomics: In Honour of Edmund S. Phelps*, Princeton: Princeton University Press.
- * Laubach, Thomas, and John C. Williams. 2003. "Measuring the natural rate of interest." *REStat* 85(4): 1063-1070.
- * Kose, Ayhan, Christopher Otrok, and Charles Whiteman, 2003. "International Business Cycles: World, Region, and Country-Specific Factors," *AER* 93(4), 1216-1239.
- * Gürkaynak, R. S., B. Sack, and E. T. Swanson. 2005. "Do actions speak louder than words? The response of asset prices to monetary policy actions and statements." *International Journal of Central Banking* 1(1): 55-93.
- Boivin, Jean and Marc Giannoni. 2006. "DSGE models in a data-rich environment," NBER WP 12772.
- Guido Lorenzoni. 2009. "A Theory of Demand Shocks." *AER* 99(5): 2050–2084.
- Blanchard, Olivier, Eugenio Cerutti, and Lawrence Summers. 2015. "Inflation and activity—two explorations and their monetary policy implications." *NBER Working Papers*.
- Ductor, Lorenzo, and Danilo Leiva-Leon. 2016. "Dynamics of global business cycle interdependence." *Journal of International Economics* 102: 110-127.
- Gorodnichenko, Yuriy, and Serena Ng. 2017. "Level and volatility factors in macroeconomic data." *JME* 91: 52-68.
- * Fernald, John et al. 2017. "The Disappointing Recovery of Output after 2009." *Brookings Papers on Economic Activity*.

3. VAR

a. Theory

- Canova, Chapter 4.
- Hamilton, Chapters 10, 11, 19, and 20.
- Kilian and Lutkepohl, Chapters 2, 4, 8, and 10.
- Favero, Chapter 6.
- Lutkepohl, Chapters 2, 3 and 4.
- Enders, Chapter 5 and 6.

b. Applications

- Christopher Sims, 1980. "Macroeconomics and reality." *Econometrica* 48(1): 1-48.
- * Blanchard, Olivier and Danny Quah. 1988. "The Dynamic Effects of Aggregate Demand and Supply Disturbances." *AER* 79(4): 655-673.
- Christopher A. Sims. 1992. "Interpreting the Macroeconomic Time Series Facts: The Effects of Monetary Policy," *EER* 36(5): 975-1000.
- * Bernanke, Ben and Ilian Mihov. 1998. "Measuring Monetary Policy." *QJE* 113(3): 869-902.
- Faust, Jon. 1998. "The robustness of identified VAR conclusions about money." *Carnegie-Rochester Conference Series on Public Policy*. Vol. 49. North-Holland.
- * Christiano, Lawrence J., Martin Eichenbaum and Charles L. Evans. 1999. "Monetary policy shocks: What have we learned and to what end?" *Handbook of Macroeconomics*, 65-148.

- Gali, Jordi. 1999. "Technology, Employment, and the Business Cycle: Do Technology Shocks Explain Aggregate Fluctuations?" *AER* 89(1): 249-271.
- Kilian, Lutz. 1999. "Small sample confidence intervals for impulse response functions," *REStat* 80(2): 218-230.
- Auerbach, Alan J., and Yuriy Gorodnichenko. 2012. "Measuring the output responses to fiscal policy." *AEJ: Economic Policy* 4(2): 1-27.
- Blanchard, Olivier, and Roberto Perotti. 2002. "An empirical characterization of the dynamic effects of changes in government spending and taxes on output." *QJE* 117(4): 1329-1368.
- Faust, Jon and John H. Rogers. 2003. "Monetary policy's role in exchange rate behavior," *JME* 50(7): 1403-1424.
- Rigobon, Roberto. 2003. "Identification through heteroskedasticity." *REStat* 85(4): 777-792.
- Rigobon, Roberto, and Brian Sack. 2003. "Measuring the reaction of monetary policy to the stock market." *QJE* 118(2): 639-669.
- * Bernanke, Ben, Jean Boivin, and Piotr Elias, 2005. "Measuring the effects of monetary policy: A factor-augmented vector autoregressive (FAVAR) approach," *QJE* 120(1), 387-422.
- Beaudry, Paul and Franck Portier. 2006. "Stock Prices, News, and Economic Fluctuations," *AER* 96(4): 1293-1307.
- Christiano, Lawrence, Martin Eichenbaum and Robert Vigfusson. 2006. "Assessing Structural VARs." *NBER Macroeconomics Annual*, Vol. 21.
- Chari, Varadarajan V., Patrick J. Kehoe, and Ellen R. McGrattan. 2008. "Are structural VARs with long-run restrictions useful in developing business cycle theory?" *JME* 55(8): 1337-1352.
- Kilian, Lutz. 2009. "Not all oil price shocks are alike: Disentangling demand and supply shocks in the crude oil market." *AER* 99(3): 1053-69.
- Barsky, Robert B., and Eric R. Sims. 2011. "News shocks and business cycles." *JME* 58(3): 273-289.
- Gilchrist, Simon, and Egon Zakrajšek. 2012. "Credit spreads and business cycle fluctuations." *AER* 102(4): 1692-1720.
- Wright, Jonathan H. 2012. "What does monetary policy do to long-term interest rates at the zero lower bound?" *Economic Journal* 122(564): F447-F466.
- Baumeister, Christiane, and James D. Hamilton. 2015. "Sign restrictions, structural vector autoregressions, and useful prior information." *ECTA* 83(5): 1963-1999.
- Jurado, Kyle, Sydney C. Ludvigson, and Serena Ng. 2015. "Measuring Uncertainty." *AER* 105(3): 1177-1216.
- Miescu, Mirela S., and Haroon Mumtaz. 2020. "Financial shocks and economic activity. A high frequency approach." *Manuscript*.

4. Identified shocks and single equation methods

a. Theory

- Jordà, Òscar. 2005. "Estimation and inference of impulse responses by local projections." *AER* 95(1): 161-182.

Stock, James H., and Mark W. Watson. 2018. "Identification and estimation of dynamic causal effects in macroeconomics using external instruments." *Economic Journal* 128: 917-948.

Plagborg-Møller, Mikkel, and Christian K. Wolf. 2019. "Instrumental Variable Identification of Dynamic Variance Decompositions." *Manuscript*.

b. Applications

* Christina Romer and David Romer. 2004. "A New Measure of Monetary Shocks: Derivation and Implications," *AER* 94(4): 1055-1084.

Basu, Susanto, John G. Fernald, and Miles S. Kimball. 2006. "Are technology improvements contractionary?" *AER* 96(5): 1418-1448.

Cerra, Valerie, and Sweta Chaman Saxena. 2008. "Growth dynamics: the myth of economic recovery." *AER* 98(1): 439-57.

Romer, Christina D., and David H. Romer. 2010. "The macroeconomic effects of tax changes: estimates based on a new measure of fiscal shocks." *AER* 100(3): 763-801.

Mertens, Karel, and Morten O. Ravn. 2013. "The dynamic effects of personal and corporate income tax changes in the United States." *AER* 103(4): 1212-47.

* Nakamura, Emi, and Jon Steinsson. 2014. "Fiscal stimulus in a monetary union: Evidence from US regions." *AER* 104(3): 753-92.

* Gertler, Mark, and Peter Karadi. 2015. "Monetary policy surprises, credit costs, and economic activity." *AEJ: Macroeconomics* 7(1): 44-76.

Arezki, Rabah, Valerie A. Ramey, and Liugang Sheng. 2017. "News shocks in open economies: Evidence from giant oil discoveries." *QJE* 132(1): 103-155.

Miyamoto, Wataru, Thuy Lan Nguyen, and Dmitriy Sergeyev. 2018. "Government spending multipliers under the zero lower bound: Evidence from Japan." *AEJ: Macroeconomics* 10(3): 247-77.

* Ramey, Valerie A., and Sarah Zubairy. 2018. "Government spending multipliers in good times and in bad: evidence from US historical data." *JPE* 126(2): 850-901.

* Romer, Christina D., and David H. Romer. 2018. "Phillips Lecture—Why Some Times Are Different: Macroeconomic Policy and the Aftermath of Financial Crises." *Economica* 85: 1-40.

Nakamura, Emi, and Jón Steinsson. 2018. "High-frequency identification of monetary non-neutrality: the information effect." *QJE* 133(3): 1283-1330.

Gorodnichenko, Yuriy, and Byoungchan Lee. 2019. "Forecast Error Variance Decompositions with Local Projections." *JBES*, *forthcoming*.

Plagborg-Møller, Mikkel, and Christian K. Wolf. 2019. "Local projections and VARs estimate the same impulse responses." *Manuscript*.

5. DSGE

a. Theory

Heer and Maussner, Chapter 2.

Canova, Chapter 2.

Favero, Chapter 8.

DeJong and Dave, Chapter 2.

* Blanchard, Olivier Jean, and Charles M. Kahn. 1980. "The solution of linear difference models under rational expectations." *Econometrica*: 1305-1311.

Schmitt-Grohé, Stephanie, and Martin Uribe. 2004. "Solving dynamic general equilibrium models using a second-order approximation to the policy function." *JEDC* 28(4): 755-775.

Guerrieri, Luca, and Matteo Iacoviello. 2015. "OccBin: A toolkit for solving dynamic models with occasionally binding constraints easily." *JME* 70: 22-38.

Andreasen, Martin M., Jesús Fernández-Villaverde, and Juan F. Rubio-Ramírez. 2018. "The pruned state-space system for non-linear DSGE models: Theory and empirical applications." *ReStud* 85(1): 1-49.

b. Estimation and Inference

Canova, Chapters 5.4, 6.4, and 7.

Herbst and Schorfheide.

De Jong and Dave, Chapters 6, 7, and 8.

c. Applications

* Finn E. Kydland; Edward C. Prescott, 1982. "Time to Build and Aggregate Fluctuations," *Econometrica* 50(6), 1345-1370.

Craig Burnside, Martin Eichenbaum and Sergio Rebelo, 1993. "Labor Hoarding and the Business Cycle," *JPE* 101, 245–273.

* Richard Clarida, Jordi Gali, and Mark Gertler. 2000. "Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory," *QJE* 115: 147–180.

Ireland, Peter. 2004. "Technology shocks in the New Keynesian model," *REStat* 86(4): 923-936

* Christiano, Lawrence, Martin Eichenbaum, and Charles Evans. 2005. "Nominal rigidities and the dynamic effects of a shock to monetary policy," *JPE* 113(1), 1-45.

* House, Christopher and Matthew Shapiro. 2006. "Phased-in tax cuts and economic activity," *AER* 96(3), 1835-1849.

* Smets, Frank and Rafael Wouters. 2007. "Shocks and frictions in US business cycles: A Bayesian DSGE approach," *AER* 97 (3), 586-606

* Fernandez-Villaverde, Jesus, Juan Rubio-Ramirez, Tom Sargent, and Mark Watson, 2007. "ABCs (and Ds) of understanding VARs," *AER* 97(3): 1021-1026.

Marco Del Negro, Frank Schorfheide, Frank Smets, and Raf Wouters, 2007, "On the Fit and Forecasting Performance of New Keynesian Models," *JBES* 25: 123–143.

Gorodnichenko, Yuriy and Serena Ng, 2010. "Estimation of DSGE models when data are persistent," *JME* 57: 325–340.

Olivier Coibion, and Yuriy Gorodnichenko. 2011. "Monetary Policy, Trend Inflation and the Great Moderation: An Alternative Interpretation," *AER* 101: 341–370.

Fernández-Villaverde, J., Guerrón-Quintana, P., Rubio-Ramírez, J. F., and Uribe, M. 2011. "Risk matters: The real effects of volatility shocks." *AER* 101(6): 2530-61.

Christiano, Lawrence J., Roberto Motto, and Massimo Rostagno. 2014. "Risk shocks." *AER* 104(1): 27-65.

Christiano, Lawrence J., Martin S. Eichenbaum, and Mathias Trabandt. 2016. "Unemployment and business cycles." *Econometrica* 84(4): 1523-1569.

Anzoategui, D., Comin, D., Gertler, M., & Martinez, J. 2019. "Endogenous technology adoption and R&D as sources of business cycle persistence." *AEJ: Macroeconomics* 11(3): 67-110.

Gertler, Mark, Nobuhiro Kiyotaki, and Andrea Prestipino. 2020. "A macroeconomic model with financial panics." *REStud* 87(1): 240-288.

6. Dynamic programming

a. Theory and Computation

Heer and Maussner, Chapter 4.

Den Haan, Wouter J., and Albert Marcet. 1994. "Accuracy in simulations." *REStud* 61(1): 3-17.

* Carroll, Christopher D. 2006. "The method of endogenous gridpoints for solving dynamic stochastic optimization problems." *Economics Letters* 91(3): 312-320.

Kopecky, Karen A., and Richard MH Suen. 2010. "Finite state Markov-chain approximations to highly persistent processes." *RED* 13(3): 701-714.

Fella, Giulio, Giovanni Gallipoli, and Jutong Pan. 2019. "Markov-chain approximations for life-cycle models." *RED* 34: 183-201.

b. Applications

Hubbard, Glenn, Jonathan Skinner and Stephen Zeldes. 1995. "Precautionary Saving and Social Insurance," *JPE* 103(2): 360-399.

Slade, Margaret. 1998. "Optimal pricing with costly adjustment: Evidence from retail-grocery prices," *REStud* 65(1), 87-107.

Cooper, Russell, John Haltiwanger, and Laura Power. 1999. "Machine replacement and the business cycle: lumps and bumps." *AER* 89(4): 921-946.

* Gourinchas, Pierre-Olivier and Jonathan Parker. 2002. "Consumption over the Life Cycle," *Econometrica* 70(1): 47-89.

Cocco, Joao F. 2005. "Portfolio choice in the presence of housing." *Review of Financial Studies* 18(2): 535-567.

Russell Cooper and John Haltiwanger, 2006. "On the nature of capital adjustment costs," *REStud* 73(3), 611-633.

* Arellano, Cristina. 2008. "Default risk and income fluctuations in emerging economies." *AER* 98(3): 690-712.

Bloom, Nicholas (2009), "The Impact of Uncertainty Shocks," *ECTA* 77(3): 623-685.

* Kaplan, Greg, and Giovanni L. Violante. 2014. "A model of the consumption response to fiscal stimulus payments." *Econometrica* 82(4): 1199-1239.

7. Heterogeneous agent models

a. Theory and Computation

Heer and Maussner, Chapters 5, 6, 7, and 8.

Rios-Rull, Victor. 1995. "Models with Heterogeneous Agents," in T. Cooley, ed., *Frontiers of Business Cycle Research*, Princeton University Press.

Reiter, Michael. 2009. "Solving heterogeneous-agent models by projection and perturbation." *JEDC* 33(3): 649-665.

Ahn, S., Kaplan, G., Moll, B., Winberry, T., and Wolf, C. 2018. "When inequality matters for macro and macro matters for inequality." *NBER Macroeconomics Annual* 32(1): 1-75.

Boppart, Timo, Per Krusell, and Kurt Mitman. 2018. "Exploiting MIT shocks in heterogeneous-agent economies: the impulse response as a numerical derivative." *JEDC* 89: 68-92.

Auclert, A., Bardóczy, B., Rognlie, M., & Straub, L. 2019. "Using the sequence-space Jacobian to solve and estimate heterogeneous-agent models" *NBER Working Papers*.

b. Applications

Huggett, Mark. 1993. "The risk-free rate in heterogeneous-agent incomplete-insurance economies." *JEDC* 17(5-6): 953-969.

Aiyagari, S. Rao. 1994. "Uninsured idiosyncratic risk and aggregate saving." *QJE* 109(3): 659-684.

Huggett, Mark. 1996. "Wealth distribution in life-cycle economies." *JME* 38(3): 469-494.

Aiyagari, S. Rao, and Ellen R. McGrattan. 1998. "The optimum quantity of debt." *JME* 42(3): 447-469.

* Krusell, Per and Antony Smith. 1998. "Income and wealth heterogeneity in the macroeconomy." *JPE* 106(5), 867-896.

Dotsey, Michael, Robert King and Alexander Wolman. 1999. "State-dependent pricing and the general equilibrium dynamics of money and output," *QJE* 114 (2), 655-690.

Flodén, Martin, and Jesper Lindé. 2001. "Idiosyncratic Risk in the US and Sweden: Is There a Role for Government Insurance?" *RED* 4: 406-437.

* Thomas, Julia. 2002. "Is lumpy investment relevant for the business cycle?" *JPE* 110(3), 508-534.

Storesletten, Kjetil, Christopher I. Telmer, and Amir Yaron. 2004. "Consumption and risk sharing over the life cycle." *JME* 51(3): 609-633.

Klenow, Peter and Jonathan Willis. 2007. "Sticky information and sticky prices." *JME* 54, 79-99

Midrigan, Virgiliu. 2011. "Menu Costs, Multi-Product Firms, and Aggregate Fluctuations," *Econometrica* 79(4), 1139–1180.

McKay, Alisdair, Emi Nakamura, and Jón Steinsson. 2016. "The power of forward guidance revisited." *AER* 106(10): 3133-58.

McKay, Alisdair, and Ricardo Reis. 2016. "The role of automatic stabilizers in the US business cycle." *Econometrica* 84(1): 141-194.

* Guerrieri, Veronica, and Guido Lorenzoni. 2017. "Credit crises, precautionary savings, and the liquidity trap." *QJE* 132(3): 1427-1467.

* Kaplan, Greg, Benjamin Moll, and Giovanni L. Violante. 2018. "Monetary policy according to HANK." *AER* 108(3): 697-743.

Lanteri, Andrea. 2018. "The market for used capital: Endogenous irreversibility and reallocation over the business cycle." *AER* 108(9): 2383-2419.

Berger, D., Guerrieri, V., Lorenzoni, G., & Vavra, J. 2018. "House prices and consumer spending." *REStud* 85(3): 1502-1542.

Edmond, Chris, Virgiliu Midrigan, and Daniel Yi Xu. 2018. "How costly are markups?" *NBER Working Paper*.

Auclert, Adrien, Matthew Rognlie, and Ludwig Straub. 2018. "The intertemporal keynesian cross." *NBER Working Paper*.

* Eggertsson, Gauti B., Neil R. Mehrotra, and Jacob A. Robbins. 2019. "A model of secular stagnation: Theory and quantitative evaluation." *AEJ: Macroeconomics* 11(1): 1-48.

Winberry, Thomas. 2020. "Lumpy investment, business cycles, and stimulus policy." *Manuscript*.