

Prof. Dr. Alexander Kriwoluzky
Dr. Josefin Meyer

Frontier papers in Macroeconomics

Aim

This course aims at enabling students to conduct research in promising areas in macroeconomics. Research areas that attract a lot of attention recently are geoeconomics, i.e. the political use of trade and capital flows, debt sustainability after two major economic crisis, the rise of inflation and its unequal consequences for households as well as its implications for the dynamic between monetary and fiscal policy especially in the euro area.

In a first step, we read and discuss recent papers and some classics. The fruitful discussions and the intensive engagement with the topics should lead to the development of independent research ideas.

Time and Venue

The first meeting (October 19th) will be on WebEx: [Click here](#)

Seminar: Wednesday, 2 pm - 4 pm

Exercises: November 2nd, 9th, 16th, 23th, and 30th

Venue: December 21, 2022 and January 16, 2023: Elinor Ostrom Hall - 1.2.019 at DIW Berlin, otherwise Karl Popper Room - 2.3.020 at DIW

Exercises

There will be five exercises. The first part cover some empirical methods such as local projections and proxy SVAR models. The second part introduces scientific working with an emphasis on working with historical and large-scale data.

Grading

We start by reviewing some recent papers, which deal with promising potential research topics. Each student will be asked to present one of the papers in class. The presentation will count for 10% of the grade. Participation in the following discussion will count for another 20%. The exercise classes will contain some homework. The solution and potential presentation of the solution will count for another 20%.

Students are asked to develop their own research ideas in the second part of the class. The presentation of the research ideas will count for 20%, a 5 page summary of the research idea for 30% of the final grade.

Potential papers

International capital flows

- Political ties and its impact on sovereign borrowing conditions: Ambrocio and Hasan (2021)
- Economic sanctions and its impact on exchange rates: Itskhoki and Mukhin (2022)
- Geopolitical risk and its impact on investment: Caldara and Iacoviello (2022)
- Sources and international transmission of country risk: Hassan, Schreger, Schwedeler, and Tahoun (2021)

Trade, trade policy, and economic welfare

- Foreign policy and its impact on trade: Berger, Easterly, Nunn, and Satyanath (2013)
- Discriminatory trade policy and its impact on trade: de Bromhead, Fernihough, Lampe, and O'Rourke (2019)
- Trade and its impact on economic development: Fajgelbaum and Redding (2022)
- Historical events and its long-run effect on economic development: Gokmen, Vermeulen, and Vézina (2020)

Debt sustainability, resolution and cost of sovereign defaults

- Public debt overhang and economic growth: Reinhart, Reinhart, and Rogoff (2012)
- Debt Relief and its impact on sovereign borrowing conditions: Lang, Mihalyi, and Presbitero (2021)
- Sovereign risk and its impact on credit supply access: Acharya, Eisert, Eufinger, and Hirsch (2018)
- Economic sanctions and sovereign default: Bianchi and Sosa-Padilla (2022)
- Optimality of financial repression: Chari, Dovis, and Kehoe (2020)

Monetary policy and heterogeneity

- Estimated HANK model: Bayer, Born, and Luetticke (2020), Auclert, Rognlie, and Straub (2020)
- Monetary policy and the role of heterogeneity: Auclert (2019), Kaplan, Moll, and Violante (2018), Luetticke (2021)
- Distributional effects of inflation: ?, Cardoso, Ferreira, Leiva, Nuño, Ortiz, Rodrigo, and Vazquez (2022),
- Heterogenous expectations: Reis (2021b), Reis (2021a)

Fiscal Theory of the Price Level

- Introduction: Leeper (1991, 2011); Leeper and Leith (2016)
- Empirical evidence: (Kliem, Kriwoluzky, and Sarferaz, 2016), (Bianchi and Ilut, 2017)
- Current debate: (Bianchi and Melosi, 2022)

Modern empirical tools

- Sign of the empirical shock: Barnichon, Debortoli, and Matthes (2021), (Barnichon and Matthes, 2018)
- Counterfactual in empirical models: (Georgiadis, Müller, and Schumann, 2021), (Breitenlechner, Georgiadis, and Schumann, 2022)
- How to deal with Covid in time series models: (Lenza and Primiceri, 2021; Cascaldi-Garcia, 2022)

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