

Econ 236 B: Aggregate Economics (Second Part)

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Lectures: Tuesdays 10-12, 639 Evans

Office Hours: Tuesday 4:15 pm-5:30 pm , F 614 Haas

This course investigates the importance of household finance in the macroeconomy from a theoretical and empirical point of view.

1 Households Balancesheet and Households Income: Fascinating Facts (3/3)

- Campbell, J. Y. (2006). Household finance. *The Journal of Finance*, 61(4), 1553-1604.
- Saez, E., & Zucman, G. (2014). Wealth inequality in the United States since 1913: Evidence from capitalized income tax data (No. w20625). National Bureau of Economic Research.
- Atkinson, A. B., Piketty, T., & Saez, E. (2011). Top incomes in the long run of history, *Journal of Economic Literature*, 49(1), 2011, 3-71.
- Guvenen, F., Ozkan, S., & Song, J. (2014). The nature of countercyclical income risk. *Journal of Political Economy*, 122 (3), 621-660.
- Guvenen, F., Karahan, F., Ozkan, S., & Song, J. (2013). What Do Data on Millions of US Workers Say About Labor Income Risk?. Working paper.

2 Liquidity Constraint and Consumption (3/10, 3/17)

- Aiyagari, S. R. (1994). Uninsured idiosyncratic risk and aggregate saving. *The Quarterly Journal of Economics*, 109(3), 659-684.
- Johnson, D., Parker, J., & Nicholas Souleles, N. S. (2006). Consumption and Tax Cuts: Evidence from the randomized income tax rebates of 2001. *American Economic Review*, 96, 1589-1610.
- Parker, J. A., Souleles, N. S., Johnson, D. S., & McClelland, R. (2013). Consumer Spending and the Economic Stimulus Payments of 2008. *The American Economic Review*, 103(6), 2530-2553.
- Agarwal, S., & Qian, W. (2013). Consumption and Debt Response to Unanticipated Income Shocks: Evidence from a Natural Experiment in Singapore. *American Economic Review*, 104(12), 4205-4230.
- Kaplan, G., & Violante, G. L. (2014). A Model of the Consumption Response to Fiscal Stimulus Payments. *Forthcoming Econometrica*
- Guvenen, F., & Smith, A. (2008). Inferring Labor Income Risk From Economic Choices: An Indirect Inference Approach. *Forthcoming Econometrica*

3 Household Finance and the Great Recession (3/31)

- Mian, A., & Sufi, A. (2011). House prices, home EquityBased borrowing, and the US household leverage crisis. *The American Economic Review*, 101(5), 2132-2156.
- Mian, A., Rao, K., & Sufi, A. (2013). Household Balance Sheets, Consumption, and the Economic Slump. *The Quarterly Journal of Economics*, 128(4), 1687-1726.
- Eggertsson, G. B., & Krugman, P. (2012). Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo Approach. *The Quarterly Journal of Economics*, 127(3), 1469-1513.
- Mondragon, J. (2014). Household Credit and Employment in the Great Recession. Available at SSRN 2521177.
- Kermani, A., (2013), Cheap Credit, Collateral and the Boom-Bust Cycle.

4 Inequality and Financial Crisis (4/7)

- Kumhof, M. M., Rancière, R., & Winant, P. (2014). Inequality, Leverage and Crises, forthcoming *American Economics Review*.
- Beaudry, P., & Lahiri, A. (2014). The Allocation of Aggregate Risk, Secondary Market Trades, and Financial Boom–Bust Cycles. *Journal of Money, Credit and Banking*, 46(1), 1-42.
- Rajan, Raghuram G (2010), *Fault Lines: How Hidden Fault Lines Still Threaten the World Economy*, Princeton, NJ: Princeton University Press.
- Coibion, Olivier, Yuriy Gorodnichenko, Marianna Kudlyak, and John Mondragon (2014), “Does Greater Inequality Lead to More Household Borrowing? New Evidence from Household Data”, NBER Working Paper 19850.
- Jordà, Ò., Schularick, M., & Taylor, A. M. (2014). The great mortgaging: housing finance, crises, and business cycles (No. w20501). National Bureau of Economic Research.

5 Households Balancesheet and Monetary Policy

5.1 Background and Theory (4/14)

- Bernanke, B. S., & Gertler, M. (1995). Inside the black box: The credit channel of monetary policy. *The Journal of Economic Perspectives*, 9(4), 27-48.
- Iacoviello, M. (2005). House prices, borrowing constraints, and monetary policy in the business cycle. *The American Economic Review*, 95(3), 739-764.
- Adrien Auclert, M. I. T. (2014). *Monetary Policy and the Redistribution Channel*.

5.2 Empirics (4/21)

- Di Maggio, M., Kermani, A., & Ramcharan, R. (2014). *Monetary Policy Pass-Through: Household Consumption and Voluntary Deleveraging*.
- Keys, B. J., Piskorski, T., Seru, A., & Yao, V. (2014). *Mortgage Rates, Household Balance Sheets, and the Real Economy* (No. w20561). National Bureau of Economic Research.

6 Liquidity Constraints and the Role of Automatic Stabilizers (4/28)

- Chetty, R. (2008). Moral Hazard versus Liquidity and Optimal Unemployment Insurance. *Journal of Political Economy*, 116(2), 173-234.
- McKay, A., & Reis, R. (2014). The role of automatic stabilizers in the US business cycle. *Forthcoming Econometrica*.
- Blanchard, O., Dell'Ariccia, G., & Mauro, P. (2010). Rethinking macroeconomic policy. *Journal of Money, Credit and Banking*, 42(s1), 199-215.
- Di Maggio, M. & Kermani, A. (2015), The role of unemployment insurance in dampening technological shocks.