

Project module: Stabilization policy and social insurance

Prof. Dr. Thomas Hintermaier, Prof. Dr. Keith Kuester

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Outline: A central theme of modern macroeconomic theory is that macroeconomic stabilization policies cannot be studied in isolation from the overall policy mix. This project module focuses on how monetary and fiscal stabilization policy interact with one dimension of the mix: the social insurance system. We start with an overview of data sources that allow discussing the scope and evolution of household heterogeneity. Students will work with the US Survey of Consumer Finances, in particular. We then introduce the New Keynesian business cycle model as a work-horse. Building on McKay and Reis (Econometrica, 2016), we discuss how one can introduce household heterogeneity into this class of models. We then solve the model on a computer using Matlab. Equipped with this knowledge, students will work on their own projects related to the interaction of stabilization policy and social insurance.

Prerequisites: while there are no formal prerequisites for this course, prior exposure to advanced courses in macroeconomics, monetary economics, or dynamic methods would be an asset, as would some elementary programming skills.

Grading: Grading will be based on a final paper (50%), and two presentations on problems given in class (25% each). The final paper will be between 8 and 12 pages long, to be submitted by Jan 31st, 2018. The presentations will be about 15 min. each and will need to be delivered as the course progresses.

Readings: Readings will be assigned in class.