

# SPRING 2004

(Mondays 6.15pm room 7-191 Economics Department at Stern)

## FEBRUARY

- 2/2 *No meeting*
- 2/9 Jack presents "*Risk sensitive Real Business Cycles*" (JME, 2000) by Tallarini
- 2/16 *Presidents' day*
- 2/23 THIS MEETING WILL BE HELD ON THURSDAY 2/26 IN ROOM 715 OF THE DEPARTMENT OF ECONOMICS (269, MERCER) AT 6.30PM  
Olesya presents "*On measuring the welfare costs of business cycles*" (JME, 2001) by Otok

## MARCH

- 3/1 *No meeting*
- 3/8 THIS MEETING WILL BE HELD ON WEDNESDAY 3/10 IN ROOM 7-191 (STERN) AT 6.15PM  
General discussion of the following papers  
NEW MINIMUM CHI-SQUARE TESTS IN EMPIRICAL FINANCE  
RISKS FOR THE LONG RUN: A POTENTIAL RESOLUTION OF AP PUZZLES
- 3/15 THIS MEETING WILL BE HELD IN ROOM 715 (MERCER STREET) AT 6.15PM  
Riccardo presents "*Rational Pessimism, Rational Exuberance and Markets for Macro Risks*" (2003) by Bansal, Gallant and Tauchen
- 3/22 Yongs presents "*New-Keynesian Macroeconomics and the term structure*" (2003) by Bekaert, Cho and Moreno
- 3/29 Sagiri presents "*Solving dynamic general equilibrium models using a second-order approximation to the policy function*" (2004) by Schmitt-Grohé and Uribe

## APRIL

- 4/5 Andrea presents "*Calculating and using second order accurate solutions of discrete time dynamic equilibrium models*" by Kim, Kim, Schaumburg and Sims
- 4/12 Massimiliano presents "Does Income Inequality lead to Consumption inequality? Evidence and theory" by Perri and Krueger
- 4/19 Virginia presents "The great depression and the Friedman-Schwartz hypothesis" by Christiano, Motto and Rostagno
- 4/26 *No meeting*

**READING GROUP**

**FEBRUARY 9th '5-MINUTES' PAPER**

|    |                                      |   |                                  |
|----|--------------------------------------|---|----------------------------------|
| 1  | Colacito<br>Riccardo                 | <b>Imrohoroglu Ayse</b><br>Cost of business cycle with indivisibilities and liquidity constraints                               | JPE<br>1989                      |
| 2  | Croce<br>Massimiliano                | <b>M. Gertler</b><br>Markups, Gaps, and Welfare Costs of Business Fluctuation   |                                  |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>Robert E Hall, David M. Lilien</b><br>Efficient wage bargains under uncertain supply and demand                              |                                  |
| 4  | Favilukis<br>Jack Y.                 | <i>Main speaker</i>   |                                  |
| 5  | Fuchs<br>William Martin              |   |                                  |
| 6  | Gerali<br>Andrea                     | <b>B. Bernanke and M. Gertler</b><br>Financial Fragility and Economic Performance   | QJE<br>1990                      |
| 7  | Hall<br>Luis J.                      |   |                                  |
| 8  | Kallock<br>Kevin                     | <b>Bjorn Bruggemann</b><br>Does Employment Protection Create Its Own Political Support? The Role of Wage Determination          |                                  |
| 9  | Kitao<br>Sagiri                      | <b>Christopher Flinn and James Heckman</b><br>New methods for analyzing structural models of labor force dynamics               | Journal of Econometrics<br>29952 |
| 10 | Litov<br>Lubo                        | <b>Franklin Allen, S. Mirris, and H.S. Shin</b><br>Beauty Contests, Bubbles, and Iterated Expectations in Asset Markets         |                                  |
| 11 | Nicita<br>Lea                        |   |                                  |
| 12 | Ortega Carandell<br>Francesc         | <i>Not coming this week</i>   |                                  |
| 13 | Piskorski<br>Tomasz                  | <b>Felix Kubler and Karl Schmedders</b><br>Stationary equilibria in asset-pricing models with incomplete markets and collateral | Econometrica<br>2003             |
| 14 | Queijo<br>Virginia                   | <b>Smets and Wouters</b><br>An estimated DSGE model of the Euro Area  |                                  |
| 15 | Sangvinatsos<br>Antonios             | <b>Campbell and Kyle</b><br>Smart money, noise trading and stock price behaviour  | RES<br>1993                      |
| 16 | Shin<br>Yongs                        |   |                                  |
| 17 | Tsyrennikov<br>Viktor                | <b>Epstein and Zin</b>  | JME<br>1990                      |

**READING GROUP**

**FEBRUARY 26th '5-MINUTES' PAPER**

|    |                                      |   |                                  |
|----|--------------------------------------|---|----------------------------------|
| 1  | Colacito<br>Riccardo                 | <b>Gadi Barlevy</b><br>The cost of business cycles under Endogenous growth  | 2002                             |
| 2  | Croce<br>Massimiliano                | <b>Christiano, Eichenbaum, Evans</b><br>Nominal Rigidities and Dynamic Effects of a Shock to Monetary Policy        | 2003                             |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>R. Lucas</b><br>Nobel lecture:monetary neutrality  | JPE                              |
| 4  | Favilukis<br>Jack Y.                 | <b>Boldrin, Christiano, and Fisher</b><br>Habit persistence, returns and the business cycle                         |                                  |
| 5  | Gerali<br>Andrea                     |   |                                  |
| 6  | Grischchenko<br>Olesya               | <i>main speaker</i>   |                                  |
| 7  | Gutierrez Mangas<br>Carlos           | <b>Cochrane-Piazzesi</b><br>Bond Risk Premia  |                                  |
| 8  | Kallock<br>Kevin                     |   |                                  |
| 9  | Kitao<br>Sagiri                      | <b>Frank Schorfheide</b><br>Loss Function-based Evaluation of DSGE Models   | J. of Appl. Econometrics<br>2000 |
| 10 | Litov<br>Lubo                        |   |                                  |
| 11 | Ortega Carandell<br>Francesc         | <b>Mark Watson</b><br>Measures of Fit for Calibrated models   | JPE, 1993                        |
| 12 | Piskorski<br>Tomasz                  | <b>F. Alvarez and U. Jermann</b><br>Using asset prices to measure the persistence of the marginal utility of wealth | 2002                             |
| 13 | Queijo<br>Virginia                   |   |                                  |
| 14 | Sangvinatsos<br>Antonios             |   |                                  |
| 15 | Shin<br>Yongs                        |   |                                  |
| 16 | Tsyrennikov<br>Viktor                | <b>S. Boragan Aruoba</b><br>Data Revisions in General Equilibrium   | U-Penn<br>Job market paper       |

**READING GROUP**

**MARCH 15th '5-MINUTES' PAPER**

|    |                                      |  |                          |
|----|--------------------------------------|--|--------------------------|
| 1  | Colacito<br>Riccardo                 | <i>main speaker</i>  |                          |
| 2  | Croce<br>Massimiliano                | <b>Perri</b><br>Final Globalization and Real Regionalization   |                          |
| 3  | De Holanda Barbosa Filho<br>Fernando |  |                          |
| 4  | Favilukis<br>Jack Y.                 | <i>not coming this week</i>  |                          |
| 5  | Grischchenko<br>Olesya               |  |                          |
| 6  | Gerali<br>Andrea                     | <b>Lucas-Golosov</b><br>Menu Costs and Phillips Curves   |                          |
| 7  | Kallock<br>Kevin                     | <b>Nicola Fuchs-Schundeln and Matthias Schundeln</b><br>Precautionary Savings and Self-Selection-Evidence from the German Reunification 'Experiment' | Job market paper<br>2004 |
| 8  | Kitao<br>Sagiri                      | <b>Zvi Eckstein; Kenneth I. Wolpin</b><br>Estimating a Market Equilibrium Search Model from Panel Data on Individuals                                | Econometrica<br>1990     |
| 9  | Litov<br>Lubo                        |  |                          |
| 10 | Ortega Carandell<br>Francesc         | <b>Hassler, Storesletten and Zilibotti</b><br>Democratic Public Good Provision   | 2003                     |
| 11 | Piskorski<br>Tomasz                  | <b>Tom Krebs</b><br>Non-existence of recursive equilibria on compact state spaces when markets are incomplete  | JET<br>2004              |
| 12 | Queijo<br>Virginia                   | <b>Ricardo Reis</b><br>Inattentive consumers   | Job market paper<br>2004 |
| 13 | Sangvinatsos<br>Antonios             |  |                          |
| 14 | Shin<br>Yongs                        |  |                          |
| 15 | Tsyrennikov<br>Viktor                | <b>Christiano, Vigfusson</b><br>ML in the frequency domain: the importance of time-to-plan   | JME<br>2003              |

**READING GROUP**

**MARCH 22nd '5-MINUTES' PAPER**

|    |                                      |   |                      |
|----|--------------------------------------|---|----------------------|
| 1  | Colacito<br>Riccardo                 | <b>Campbell and Cochrane</b><br>Explaining the poor performance of Consumption based Asset Pricing model  | JOF<br>2000          |
| 2  | Croce<br>Massimiliano                | <b>Chen, Fan</b><br>Estimation of Copula-Based Semiparametric Time Series Models  |                      |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>Stephen Coate, Glenn C. Loury</b><br>Will affirmative action policies eliminate negative stereotypes?  | AER<br>1993          |
| 4  | Favilukis<br>Jack Y.                 | <b>Caplin and Spulber</b><br>Menu costs and the neutrality of money   |                      |
| 5  | Grischchenko<br>Olesya               | <i>not coming this week</i>   |                      |
| 6  | Gerali<br>Andrea                     | <b>J. Fernandez-Villaverde and J. Rubio-Ramirez</b><br>Estimating Nonlinear Dynamic Equilibrium Economies: a Likelihood Approach                        |                      |
| 7  | Kallock<br>Kevin                     |   |                      |
| 8  | Kitao<br>Sagiri                      | <b>Stephanie Schmitt-Grohé and Martín Uribe</b><br>Solving dynamic general equilibrium models using a second-order approximation to the policy function | JEDC 2004            |
| 9  | Litov<br>Lubo                        |   |                      |
| 10 | Ortega Carandell<br>Francesc         | <b>Michael Ben-Gad</b><br>Capital-Skill Complementarities and the Immigration Surplus in a Dynamic Model  | 2004                 |
| 11 | Piskorski<br>Tomasz                  | <b>David Levine and William Zame</b><br>Does Market Incompleteness Matter?  | Econometrica<br>2002 |
| 12 | Queijo<br>Virginia                   | <b>Michael Woodford</b><br>Imperfect Common knowledge and the effects of Monetary Policy  |                      |
| 13 | Sangvinatsos<br>Antonios             | <b>Nicholas Barberis, Ming Huang and Tano Santos</b><br>Prospect Theory and Asset Prices  | WP                   |
| 14 | Shin<br>Yongs                        | <i>main speaker</i>   |                      |
| 15 | Tsyrennikov<br>Viktor                | <b>Marco Bassetto, Narayana Kocherlakota</b><br>On the irrelevance of government debt when taxes are distortionary                                      | JME 2004             |

**READING GROUP**

**MARCH 29th '5-MINUTES' PAPER**

|    |                                      |   |                      |
|----|--------------------------------------|---|----------------------|
| 1  | Colacito<br>Riccardo                 | <b>Craig Burnside</b><br>Solving Asset Pricing models with Gaussian shocks  | JEDC<br>1998         |
| 2  | Croce<br>Massimiliano                | <b>Lettau and Ludvigson</b><br>Understanding trend and cycle in asset values  | NBER, w.p. 9848      |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>Fryer Jr., Loury and Yuret</b><br>Color-blind affirmative action   |                      |
| 4  | Favilukis<br>Jack Y.                 | <b>Cooper and Ejarque</b><br>Financial frictions and investment: requiem in q   |                      |
| 5  | Grischchenko<br>Olesya               | <b>Canzoneri, Cumby and Diba</b><br>Euler Equations and Money Market Interest Rates: A Challenge for Monetary Policy Models       |                      |
| 6  | Gerali<br>Andrea                     | <b>Chris Sims &amp; Tao Zha</b><br>Error bands for Impulse Responses  |                      |
| 7  | Kallock<br>Kevin                     | <b>Bassetto</b><br>Negative Nominal Interest Rates  | 2004                 |
| 8  | Kitao<br>Sagiri                      | <i>main speaker</i>   |                      |
| 9  | Litov<br>Lubo                        |   |                      |
| 10 | Ortega Carandell<br>Francesc         | <b>Epstein and Zin</b><br>Substitution, Risk Aversion, and the Temporal Behavior of Cons. and Asset Ret.: A Theoretical Framework | Econometrica<br>1989 |
| 11 | Piskorski<br>Tomasz                  | <b>Araujo, Páscoa and J. P. Torres-Martínez</b><br>Collateral Avoids Ponzi Schemes in Incomplete Markets                          | Econometrica<br>2002 |
| 12 | Queijo<br>Virginia                   | <i>not coming this week</i>   |                      |
| 13 | Sangvinatsos<br>Antonios             |   |                      |
| 14 | Scholl<br>Almut                      | <b>Paul Klein and Jose-Victor Rios-Rull</b><br>Time-Consistent Optimal Fiscal Policy  | IER 2002             |
| 15 | Shin<br>Yongs                        |   |                      |
| 16 | Tsyrennikov<br>Viktor                | <b>Levin and Williams</b><br>Robust monetary policy with competing reference models   | JME 2003             |

**READING GROUP**

**APRIL 5th '5-MINUTES' PAPER**

|    |                                      |  |                                 |
|----|--------------------------------------|--|---------------------------------|
| 1  | Colacito<br>Riccardo                 | <b>DeJong, Ingram and Whiteman</b><br>A Bayesian Approach to Dynamic Macroeconomics                                  | Journal of Econometrics<br>2000 |
| 2  | Croce<br>Massimiliano                |  |                                 |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>Wouter J. Den Haan; Albert Marcet</b><br>Accuracy in Simulations  | REStud<br>1994                  |
| 4  | Favilukis<br>Jack Y.                 |  |                                 |
| 5  | Fuchs<br>William                     | <b>MacLeod</b><br>Optimal Contracting with Subjective Evaluations  | AER<br>2003                     |
| 6  | Grischchenko<br>Olesya               | <b>Lars Ljungqvist and Harald Uhlig</b><br>Tax Policy and Aggregate Demand Management under Catching up with Joneses | AER<br>2000                     |
| 7  | Gerali<br>Andrea                     | <i>main speaker</i>  |                                 |
| 8  | Kallock<br>Kevin                     | <b>Robert Shimer</b><br>Assignment Unemployment  |                                 |
| 9  | Kitao<br>Sagiri                      | <b>Prescott</b><br>Why Do Americans Work So Much More Than Europeans?  | Minneapolis Fed<br>2003         |
| 10 | Ortega Carandell<br>Francesc         | <b>Bisin, Topa and Verdier</b><br>An Empirical Analysis of Religious Homogamy and Socialization in the U.S           | JPE<br>Forthcoming              |
| 11 | Piskorski<br>Tomasz                  | <b>Manuel S. Santos</b><br>Accuracy of Numerical Solutions Using the Euler Equation Residuals                        | Econometrica<br>2000            |
| 12 | Queijo<br>Virginia                   | <b>Carlstrom and Fuerst</b><br>Monetary Shocks, Agency costs and Business Cycles                                     | Cleveland FED                   |
| 13 | Sangvinatsos<br>Antonios             |  |                                 |
| 14 | Scholl<br>Almut                      | <b>Daron Acemoglu and James Robinson</b><br>A Theory of Political Transitions  | AER<br>2001                     |
| 15 | Shin<br>Yongs                        | <i>Not coming this week</i>  |                                 |
| 16 | Tsyrennikov<br>Viktor                | <b>Giannoni</b><br>Does model uncertainty justify caution? Robust optimal policy in forward-looking model            | Macroeconomic Dynamics 6        |

**READING GROUP**

**APRIL 12th '5-MINUTES' PAPER**

|    |                                      |   |                              |
|----|--------------------------------------|---|------------------------------|
| 1  | Colacito<br>Riccardo                 | <b>denHaan and Marcet</b><br>Solving the stochastic growth model by parameterizing expectations                     | JBES<br>1990                 |
| 2  | Croce<br>Massimiliano                | <i>main speaker</i>   |                              |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>Jinill Kim and Sunghyun Henry Kim</b><br>Spurious Welfare Reversals in International Business Cycles Models      |                              |
| 4  | Favilukis<br>Jack Y.                 | <b>Lu Zhang</b><br>The value premium  |                              |
| 5  | Fuchs<br>William                     | <b>Shapiro and Stiglitz</b><br>Equilibrium unemployment as worker discipline  | AER<br>1984                  |
| 6  | Grischchenko<br>Olesya               | <b>Min Wei</b><br>Human Capital, Business Cycles and Asset Pricing  | Columbia<br>job market paper |
| 7  | Gerali<br>Andrea                     | 2nd order accurate solutions: a follow up   |                              |
| 8  | Kallock<br>Kevin                     | <b>Hoyt Bleakley and Jeffrey C. Fuhrer</b><br>Shifts in the Beveridge Curve, Job Matching and Labor Market Dynamics |                              |
| 9  | Kitao<br>Sagiri                      | <b>Andres Erosa and Martin Gervais</b><br>Optimal Taxation in Life-Cycle Economies                                  | JET<br>2002                  |
| 10 | Ortega Carandell<br>Francesc         | <b>Kehoe and Levine</b>   | 1993                         |
| 11 | Piskorski<br>Tomasz                  | <b>Kehoe and Perri</b><br>Competitive equilibria with limited enforcement   | JET<br>forthcoming           |
| 12 | Queijo<br>Virginia                   | <i>not coming today</i>   |                              |
| 13 | Sangvinatsos<br>Antonios             |   |                              |
| 14 | Scholl<br>Almut                      | <b>Philip Bond and Arvind Krishnamurthy</b><br>Regulating Exclusion from Financial Markets                          | REStud<br>forthcoming        |
| 15 | Shin<br>Yongs                        | <b>Kimball and Weil</b><br>Precautionary Saving and Consumption Smoothing across Time and Possibilities             |                              |
| 16 | Tsyrennikov<br>Viktor                | <b>Alvarez, Kehoe, and Neumeyer</b><br>The Time consistency of Optimal Fiscal and Monetary Policy                   | Econometrica                 |



**READING GROUP**

**APRIL 19th '5-MINUTES' PAPER**

|    |                                      |  |                                    |
|----|--------------------------------------|--|------------------------------------|
| 1  | Colacito<br>Riccardo                 | <b>Engle</b><br>New Frontiers for ARCH models  | Journal of A. Econometrics<br>2002 |
| 2  | Croce<br>Massimiliano                | <b>Bakus, Zin</b><br>Reverse Engineering the yield curve   | NBER 1994                          |
| 3  | De Holanda Barbosa Filho<br>Fernando | <b>Lucas</b><br>Some macroeconomics for the 21st century   |                                    |
| 4  | Favilukis<br>Jack Y.                 |  |                                    |
| 5  | Grischchenko<br>Olesya               |  |                                    |
| 6  | Gerali<br>Andrea                     | <b>King &amp; Wolman</b><br>Monetary Discretion, Pricing Complementarity and Multiple Equilibria                 | NBER WP no 9929<br>2003            |
| 7  | Kallock<br>Kevin                     | <b>Robert Barro</b><br>Long-Term Contracting, Sticky Prices, and Monetary Policy                                 | JME<br>1970                        |
| 8  | Kitao<br>Sagiri                      | <b>Meh and Quadrini</b><br>Uninsurable investment risks  | 2004                               |
| 9  | Ortega Carandell<br>Francesc         |  |                                    |
| 10 | Piskorski<br>Tomasz                  | <b>P. Dubey, J. Geanakoplos and M. Shubik</b><br>Default and Punishment in General Equilibrium                   | Econometrica                       |
| 11 | Queijo<br>Virginia                   | <i>main speaker</i>  |                                    |
| 12 | Sangvinatsos<br>Antonios             | <b>De Long, Shleifer, Summers, Waldman</b><br>The survival of noise traders in financial markets                 | Journal of Business<br>1991        |
| 13 | Scholl<br>Almut                      | <b>Hanno Lustig and Stijn van Nieuwerburgh</b><br>Housing Collateral and Consumption Insurance Across US Regions |                                    |
| 14 | Shin<br>Yongs                        | <b>Torsten Persson and Guido Tabellini</b><br>Constitutional Rules and Fiscal Policy Outcomes                    | AER<br>2004                        |
| 15 | Tsyrennikov<br>Viktor                |  |                                    |