



2nd Research Conference of the Macroeconomic Modelling and Model Comparison Network (MMCN)

**June 7-8, 2018
Hoover Institution, Stanford University**

Conference organizers:

Michael Binder (IMFS, Goethe University Frankfurt)
John B. Taylor (Stanford University and Hoover Institution)
Volker Wieland (IMFS, Goethe University Frankfurt and CEPR)

The Macroeconomic Modelling and Model Comparison Network is a new research network under the auspices of the Centre for Economic Policy Research (CEPR) in London and is a part of the new Macroeconomic Model Comparison Initiative (MMCI) by the Hoover Institution at Stanford University and the Institute for Monetary and Financial Stability (IMFS) at Goethe University Frankfurt. The MMCI initiative is supported financially by the Alfred P. Sloan Foundation.

Quantitative macroeconomic models play an important role in informing policymakers about the consequences of monetary, fiscal and macro-prudential policies. MMCN aims to make progress in this area by promoting collaboration among interested researchers in academia and policy institutions. It hopes to provide a forum for presenting new models and model comparisons, as well as the solution and estimation methods underlying them, thereby enhancing opportunities for building on the work of others.

The organizers are very grateful for the financial support of the conference by the Hoover Institution, the Foundation for Monetary and Financial Stability and the Alfred P. Sloan Foundation.

Overview

Thursday, June 7, 2018

- 08:00 – 08:50** Registration and Coffee
- 08:50 – 09:00** Welcome: Thomas W. Gilligan
- 09:00 – 09:40** Keynote Speech: Lars Peter Hansen
- 09:40 – 10:40** Parallel Session I (2 x 2 papers: Wolters, Ferrari, Gelain, Gelfer)
- 10:40 – 11:00** Coffee Break
- 11:00 – 12:30** Parallel Session II (2 x 3 papers: Jones, Müller, Furlanetto, Bodenstein, Rondina, Hawkins)
- 12:30 – 13:30** Lunch
- 13:30 – 15:00** Plenary Session I: Nonlinearity and Recession (Mertens, Trabandt, Cochrane)
- 15:00 – 16:30** Poster Session I (8 posters, coffee served)
- 16:30 – 18:00** Parallel Session III (2 x 3 papers: Ferrante, Kurtzman, Schilling, Binder, Schmedders, Benchimol)
- 18:15 – 20:30** Reception, Dinner & Dinner Speech: John B. Taylor

Friday, June 8, 2018

- 08:00 – 08:30** Coffee
- 08:30 – 10:00** Plenary Session II: Macroeconomic Models and Policy (Farmer, Kumhof, Wieland)
- 10:00 – 10:30** Coffee Break
- 10:30 – 12:00** Parallel Session IV (2 x 3 papers: Brand, Posch, Boehl, Park, in 't Veld, Dawid)
- 12:00 – 13:00** Lunch
- 13:00 – 14:00** Parallel Session V (2 x 2 papers: Nikolov, Faia, Judd, Cai)
- 14:00 – 15:30** Poster Session II (9 posters, coffee served)
- 15:30 – 17:00** Plenary Session III: Macroeconomic Models and Estimation (Del Negro, Darracq Pariès, Otrok)
- 17:00** Concluding Remarks: Volker Wieland

Plenary sessions: 25 minutes for paper presentation and 5 minutes for general discussion.

Parallel sessions: 15 minutes for paper presentation, 10 minutes for discussion and 5 minutes for general discussion.

Posters: 8-9 posters per session with ample time for participants to visit several posters and discuss with the authors.

Thursday, June 7, 2018

08:00 – 08:50

Registration and Coffee
Pavilion (David and Joan Traitel Building)

08:50 – 09:00

Welcome
Hauck Auditorium (David and Joan Traitel Building)

Thomas W. Gilligan, Tad and Dianne Taube Director, Hoover Institution

09:00 – 09:40

Keynote Speech
Hauck Auditorium (David and Joan Traitel Building)

Chair: **John B. Taylor**, Stanford University and Hoover Institution

Lars Peter Hansen, University of Chicago
Comparative Valuation Dynamics in Models with Financing Restrictions

09:40 – 10:40

Parallel Session I

Model Estimation and Shocks
Hauck Auditorium (David and Joan Traitel Building)

Chair: **Volker Wieland**, IMFS, Goethe University Frankfurt and CEPR

Maik Wolters
University of Jena
How the Baby Boomers' Retirement Wave Distorts Model-Based Output Gap Estimates

Discussant: **Christopher Tonetti**, Stanford University

Massimo Ferrari
Università Cattolica del Sacro Cuore
Monetary Policy Spillovers, Global Commodity Prices and Cooperation (jointly with A. Filardo, M. Lombardi, C. Montoro)

Discussant: **Hashmat Khan**, Carleton University

DSGE Models and Financial Frictions
Blount Hall (David and Joan Traitel Building)

Chair: **Michael Binder**, IMFS, Goethe University Frankfurt

Paolo Gelain
Federal Reserve Bank of Cleveland
DSGE Models with Financial Frictions: Does Frequency Matter? (jointly with C. Foroni, M. Macellino)

Discussant: **Gregor Boehl**, IMFS, Goethe University Frankfurt

Sacha Gelfer
Bentley University
Financial Crises, Recoveries and Labor Market Dynamics: Evidence from a Data-Rich DSGE Model

Discussant: **Jonathan Swarbrick**, Bank of Canada

10:40 – 11:00

Coffee Break
Pavilion (David and Joan Traitel Building)

11:00 – 12:30

Parallel Session II

Financial Crisis and Recession

Hauck Auditorium (David and Joan Traitel Building)

Chair: **Arvind Krishnamurthy**, Stanford University

Callum Jones

International Monetary Fund
Household Leverage and the Recession
(jointly with V. Midrigan, T. Philippon)

Discussant: **Elena Pastorino**, Stanford University

Gernot Müller

University of Tübingen
Financial Repression in General Equilibrium (jointly with A. Kriwoluzky, A. Scheer)

Discussant: **Arvind Krishnamurthy**, Stanford University

Francesco Furlanetto

Norges Bank
Output Gap, Monetary Policy Trade-offs and Financial Friction (jointly with P. Gelain, M. Sanjani)

Discussant: **Jorge Abad**, CEMFI

Model Uncertainty and Monetary Policy

Blount Hall (David and Joan Traitel Building)

Chair: **John B. Taylor**, Stanford University and Hoover Institution

Martin Bodenstein

Federal Reserve Board
Employment, Wages and Optimal Monetary Policy (jointly with J. Zhao)

Discussant: **Chad Jones**, Stanford University

Francesca Rondina

University of Ottawa
Model Uncertainty and the Direction of Fit of the Postwar U.S. Phillips Curve(s)

Discussant: **Felix Strobel**, IMFS, Goethe University Frankfurt

Raymond J. Hawkins

University of California, Berkeley
Monetary Policy Rules and PID Control (jointly with J. Speakes, D. Hamilton)

Discussant: **Sebastian Guarda**, Central Bank of Chile

12:30 – 13:30

Lunch

Pavilion (David and Joan Traitel Building)

13:30 – 15:00

Plenary Session I: Nonlinearity and Recession

Hauck Auditorium (David and Joan Traitel Building)

Chair: **Joshua D. Rauh**, Hoover Institution, Stanford University

Thomas M. Mertens, Federal Reserve Bank of San Francisco

What to Expect from the Lower Bound on Interest Rates: Evidence from Derivatives Prices (jointly with J. Williams)

Mathias Trabandt, Free University of Berlin

Resolving the Missing Deflation Puzzle (jointly with J. Lindé)

John H. Cochrane, Hoover Institution, Stanford University

Observational Equivalence and a Simple Fix for Zero Bound Puzzles

15:00 – 16:30

Poster Session I

Blount Hall (David and Joan Traitel Building)

Plenary sessions: 25 minutes for paper presentation and 5 minutes for general discussion.

Parallel sessions: 15 minutes for paper presentation, 10 minutes for discussant and 5 minutes for general discussion.

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16:30 – 18:00

Parallel Session III

Unconventional Monetary Policy and Money

Hauck Auditorium (David and Joan Traitel Building)

Chair: **Pablo Kurlat**, Stanford University

Francesco Ferrante

Federal Reserve Board

Risky Lending, Bank Leverage and Unconventional Monetary Policy

Discussant: **David Laszlo Zeke**, University of Southern California

Robert Kurtzman

Federal Reserve Board

Misallocation Costs of Digging Deeper into the Central Bank Toolkit (jointly with D. Zeke)

Discussant: **Alexander Clymo**, University of Essex

Linda Schilling

École Polytechnique, CREST

Some Simple Bitcoin Economics (jointly with H. Uhlig)

Discussant: **Pablo Kurlat**, Stanford University

Heterogeneous Agents and Bounded Rationality

Blount Hall (David and Joan Traitel Building)

Chair: **Yuriy Gorodnichenko**, University of California, Berkeley

Michael Binder

IMFS, Goethe University Frankfurt

Heterogeneous Information, Diverse Higher-Order Beliefs and Business Cycles: Propagation Mechanisms and Empirical Performance (jointly with M. Farkas, V. Wieland)

Discussant: **Yuriy Gorodnichenko**, University of California, Berkeley

Karl Schmedders

University of Zurich

Re-use of Collateral: Leverage, Volatility, and Welfare

Discussant: **Hanno Lustig**, Stanford University

Jonathan Benchimol

Bank of Israel

Optimal Monetary Policy under Bounded Rationality (jointly with L. Bounader)

Discussant: **Mátyás Farkas**, IMFS, Goethe University Frankfurt

18:15 – 20:30

Dinner

Pavilion (David and Joan Traitel Building)

Dinner Speech

John B. Taylor, Stanford University and Hoover Institution

The Financial Crisis Ten Years On: What Have We Learned about Models and Policy

Plenary sessions: 25 minutes for paper presentation and 5 minutes for general discussion.

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Friday, June 8, 2018

08:00 – 08:30

Coffee

Pavilion (David and Joan Traitel Building)

08:30 – 10:00

Plenary Session II: Macroeconomic Models and Policy

Hauck Auditorium (David and Joan Traitel Building)

Chair: **Michael Binder**, IMFS, Goethe University Frankfurt

Roger Farmer, University of Warwick, NIESR and UCLA

Keynesian Economics without the Phillips Curve

Michael Kumhof, Bank of England

Towards a New Monetary Theory of Exchange Rate Determination (jointly with A. Cesa-Bianchi, A. Sokol, G. Thwaites)

Volker Wieland, IMFS, Goethe University Frankfurt and CEPR

On the Macroeconomic and Fiscal Effects of the Tax Cuts and Jobs Act (jointly with P. Lieberknecht)

10:00 – 10:30

Coffee Break

Pavilion (David and Joan Traitel Building)

10:30 – 12:00

Parallel Session IV

R-Star, Zero Bound and Monetary Policy

Hauck Auditorium (David and Joan Traitel Building)

Chair: **Carlos Zarazaga**, Federal Reserve Bank of Dallas

Claus Brand

European Central Bank

Taylor-Rule Consistent Estimates of the Natural Rate of Interest (jointly with F. Mazelis)

Discussant: **Jae Won Lee**, University of Virginia

Olaf Posch

University of Hamburg

Resurrecting the New-Keynesian Model: (Un)conventional Policy and the Taylor Rule

Discussant: **Yevgeniy Teryoshin**, Stanford University

Gregor Boehl

IMFS, Goethe University Frankfurt

Forward Guidance at the ZLB: Curse and Blessing of Time-Inconsistency (jointly with F. Strobel)

Discussant: **Carlos Zarazaga**, Federal Reserve Bank of Dallas

Structural and Tax Policy in Macro Models

Blount Hall (David and Joan Traitel Building)

Chair: **Grace Weishi Gu**, University of California, Santa Cruz

Woong Yong Park

Seoul National University

Macroeconomic Effects of Capital Tax Rate Changes (jointly with J.W. Lee, S. Bhattarai, C. Yang)

Discussant: **Philipp Lieberknecht**, IMFS, Goethe University Frankfurt

Jan in 't Veld

European Commission

Growth Effects of Structural Reforms and Their Impact on the Functional Income Distribution (jointly with J. Varga, W. Roeger, L. Vogel)

Discussant: **Paul Luk**, Hong Kong Baptist University

Herbert Dawid

Bielefeld University

Cohesion Policy and Inequality Dynamics: Insights from a Heterogeneous Agents Macroeconomic Model (jointly with P. Harting, M. Neugart)

Discussant: **Grace Weishi Gu**, University of California, Santa Cruz

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12:00 – 13:00

Lunch

Pavilion (David and Joan Traitel Building)

13:00 – 14:00

Parallel Session V

Banks, Leverage and Crises

Hauck Auditorium (David and Joan Traitel Building)

Chair: **Maik Wolters**, University of Jena

Kalin Nikolov

European Central Bank

Bank Capital in the Short and in the Long Run (jointly with C. Mendicino, J. Suarez, D. Supera)

Discussant: **Tim Robinson**, The University of Melbourne

Ester Faia

Goethe University Frankfurt

Ambiguous Leverage Cycles (jointly with M. Bassanin, V. Patella)

Discussant: **Nuno Paixão**, Bank of Canada

Numerical Methods, Macro Models and Climate Change

Blount Hall (David and Joan Traitel Building)

Chair: **Volker Wieland**, IMFS, Goethe University Frankfurt and CEPR

Kenneth Judd

Hoover Institution, Stanford University

Numerical Dynamic Programming with Verification and Uncertainty Quantification: An Application to Climate Policy (jointly with Y. Cai)

Discussant: **Eric Aldrich**, University of California, Santa Cruz

Yongyang Cai

Ohio State University

To Build or Not to Build? Capital Stocks and Climate Policy (jointly with E. Baldwin, K. Kuralbayeva)

Discussant: **Andreas Tryphonides**, Humboldt University Berlin

14:00 – 15:30

Poster Session II

Blount Hall (David and Joan Traitel Building)

15:30 – 17:00

Plenary Session III: Macroeconomic Models and Estimation

Hauck Auditorium (David and Joan Traitel Building)

Chair: **John B. Taylor**, Stanford University and Hoover Institution

Marco Del Negro, Federal Reserve Bank of New York

DSGE Forecast of the Lost Recovery (jointly with M. Cai, M. Giannoni, A. Gupta, P. Li, E. Moszkowski)

Matthieu Darracq Pariès, European Central Bank

Synopsis of the Euro Area Financial Crisis (jointly with P. Jacquinot, N. Papadopoulou)

Christopher Otrok, University of Missouri, Federal Reserve Bank of St. Louis

Estimating Macroeconomic Models of Financial Crises: An Endogenous Regime Switching Approach (jointly with G. Benigno, A. Foerster, A. Rebucci)

17:00

Concluding Remarks

Hauck Auditorium (David and Joan Traitel Building)

Volker Wieland, IMFS, Goethe University Frankfurt and CEPR

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Poster Session I

Thursday, June 7

Blount Hall (David and Joan Traitel Building)

Tomohide Mineyama

Boston College

Downward Nominal Wage Rigidity and Inflation Dynamics during and after the Great Recession

Felix Strobel and Philipp Lieberknecht

IMFS, Goethe University Frankfurt

MMCI and Macroeconomic Model Database 2.3

Hashmat Khan

Carleton University

The Shifts in Lead-Lag Properties of the U.S. Business Cycle (jointly with J. Brault)

Carlos Zarazaga

Federal Reserve Bank of Dallas

Fiscal Stabilization and the Credibility of the U.S. Budget Sequestration Spending Austerity (jointly with R. Hu)

Jonathan Swarbrick

Bank of Canada

Business Cycles in Space (jointly with T. Holden)

Nuno Paixão

Bank of Canada

Housing Prices and Consumer Spending: The Bank Balance Sheet Channel

Matt Jensen

American Enterprise Institute

Open Source Policy Simulation: Tax-Calculator, B-Tax, BRC, TaxData, C-TAM

Lars Peter Hansen

University of Chicago

MFM Executive Committee Projects

Poster Session II

Friday, June 8

Blount Hall (David and Joan Traitel Building)

Andreas Tryphonides

Humboldt University Berlin

Set Identified Dynamic Economies and Robustness to Misspecification

Alexander Clymo

University of Essex

Firm Dynamics at the Zero Lower Bound

Jorge Abad

CEMFI

Breaking the Feedback Loop: Macroprudential Regulation of Banks' Sovereign Exposures

Tim Robinson

The University of Melbourne

Macroprudential Policies and Credit Creation (jointly with S. Elias)

Paul Luk

Hong Kong Baptist University

Dynamics of Secured and Unsecured Debt Over the Business Cycle (jointly with T. Zheng)

Junior Maih

Norges Bank; BI Norwegian Business School

Modelling Occasionally Binding Constraints Using Regime-Switching (jointly with A. Binning)

Sebastian Guarda

Central Bank of Chile

Xmas: An Extended Model for Analysis and Simulation (jointly with B. García, M. Kirchner, R. Tramamil)

Mátyás Farkas and Lazar Milivojevic

IMFS, Goethe University Frankfurt

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University of Chicago

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