



## **2<sup>nd</sup> 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.

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

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.

Parallel sessions: 15 minutes for paper presentation, 10 minutes for discussant 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.

## 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

*U.S. Monetary Policy at the Zero Lower Bound* (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

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.

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

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

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.

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

## 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. Tranamil)*

### **Mátyás Farkas and Lazar Milivojevic**

IMFS, Goethe University Frankfurt

*MMCI and Macroeconomic Model Database 2.3*

### **Lars Peter Hansen**

University of Chicago

*MFM Executive Committee Projects*

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.