Macroeconomic Models of Consumption, Saving, and Labor Supply

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Office hours: Thursdays 1-2 pm and by appointment

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Time: Monday, 2.15 to 3.45 pm
Room Dubai (1.27) in House of Finance

Description
This course is intended to help second year PhD students develop a research question in an area of the microfoundations of macroeconomics, and acquire some of the skills needed to answer interesting research questions. The main focus of the course is on quantitative macroeconomic models. We will learn how to write down a model, derive predictions from the model, and evaluate the model performance against empirical counterparts. We will look at models that explicitly take into account heterogeneity of households, and will analyze aggregate implications of microeconomic non-linearities. You will get familiar with the most heavily used data sets in the research area. We will study dynamic programming and structural estimation techniques, calibration, and reduced form empirical approaches.

Readings
There is no required textbook for this part of the class. The syllabus contains links to the readings. The readings marked with a star are the ones that we will primarily discuss. I always also list further references.

Special Classes
On May 6, we will have a special class on how to write a scientific paper (jointly offered by GRADE and taught by me and Michael Binder).
On May 13, the REStud Tour is in Frankfurt. Rather than having a regular class, we will attend a 90 minutes talk by one of the participants and discuss the paper and presentation in the next class.

Requirements

There are two components to the assessment for this class.

The first and most important component is a short paper on a topic broadly related to the class. The goal of the paper is to encourage you to learn some hands-on lessons about the process of doing research. The minimal requirement is to replicate empirical results or a calibration exercise from a paper in the literature. Obviously, more ambitious exercises are welcome. You should start talking to me about your ideas as soon as possible, and
definitely before the due date for the proposal. The proposal should be two pages long, and contain a detailed outline of what you plan to do. For example, if you plan to replicate an empirical paper or work on an empirical topic of your own, your proposal should describe the relevant data sources, and demonstrate that you have access to them. During the last class, everyone is required to do a short presentation on his or her research idea. I want to give you the opportunity to get feedback from your colleagues, and to get to know what other people are working on.

*Important dates for the paper*

June 15: Proposal for paper is due  
July 15: In-class presentations of papers  
October 1: Final version of paper is due

Second, I expect you to actively participate in class discussions. Class participation will be part of the assessment for the class.
I. Introduction to Data on Consumption, Working Hours, and Time Use

II. Structural Estimation of a Life Cycle Consumption Model


III. Idiosyncratic Risk and Aggregate Uncertainty


Khan, Aubhik and Julia Thomas (2011): Credit Shocks and Aggregate Fluctuations in an Economy with Production Heterogeneity, NBER Working Papers 17311


IV. The Skewness of the Wealth Distribution


V. Consumption and Leisure Inequality


VI. Taxation and Hours Worked


