

New Macroeconomic Realities (E382)

Participation

The seminar is open to all students writing a BSc thesis.

General orientation

In this seminar students deal with contemporary challenges in the field of macroeconomics. The primary goal of the seminar is to expose students to the latest developments and methodologies in empirical macroeconomics, with a particular focus on real-world applications and policy implications that address emerging global economic challenges.

Participants are expected to select a specific academic paper on current macroeconomic realities, such as the **economic impact of climate change, shifts in monetary or fiscal policy, or responses to geopolitical uncertainty**. Under our guidance, students will be able to (1) succinctly summarize the relevant literature, (2) understand existing theories, and (3) gather and analyze relevant data to produce empirical research. Most theses typically do all three but 1, 2, or 3 are sufficient for best grades.

The seminar aims to enhance students' understanding and expertise in modern empirical macroeconomics. It also prepares them to articulate and defend their research in a professional and persuasive manner. Participants will benefit from both individual attention and the dynamic exchange of ideas in a group setting, preparing them for advanced academic work or professional careers in economics.

Here are two examples from previous thesis:

Research question	Data	Identification
Does unconventional monetary policy increase inequality?	Time series on the policy rate, output, consumption, investment, wealth inequality, income inequality	Novel monetary policy shocks identified using forecast errors of the Federal Reserve Bank
Do higher oil prices increase inequality?	Time series on oil prices, output, consumption, investment, wealth inequality, income inequality	Off-the-shelf oil price shocks from Kaenzig (2022)

You are strongly encouraged to take “E385 Macroeconomic Policy Analysis: Identification, Estimation, and Evaluation” as preparation. E385 teaches you how to collect the data, how to think about causality in macroeconomics, and how to code the required regressions to run the empirical analyses yourself. This is not a requirement and we are happy to supply the teaching material for self-study as well.

Reading for E382 is the Handbook of Macroeconomics, Chapter 2, which summarizes empirical approach and results on the most studied macroeconomic shocks:

<https://www.sciencedirect.com/science/article/pii/S1574004816000045>

The papers (list is continuously expanded) below are meant to help you getting started (you can also add papers yourself). These papers will be assigned during the introductory session. While students are encouraged to interact, they will be held responsible for their own thesis only. Your thesis should demonstrate that you

- ◆ have full understanding of what is going on in the paper (by explaining it clearly and efficiently)
- ◆ come up with a new research question (that can be related to the paper) and conduct the empirical analysis
- ◆ can place the issue in a broader (policy) context

Sessions / Time Schedule

Introductory session:

In this session, we allocate the papers and discuss organizational details. Allocation of topics will be based on students' preferences.

Research idea session:

You will have to submit a summary of the paper and preliminary outline of your research idea. In this session, you will quickly pitch your idea. We then discuss this together and develop it further.

Presentation sessions:

Your presentations will be based on a first and preliminary draft of your thesis. During and after the presentation sessions, you will receive feedback. You will subsequently be given further time to take this feedback into account when finalizing your thesis.

Notes regarding the presentation

- Duration of presentation is 10-15 minutes, including time for clarification questions
- Style: you may use PowerPoint or PDF format (LaTeX)
- Note: your presentation should not be longer than 10 slides, it may well be shorter
- Time for discussion of results: 10 minutes
- The presentation is not graded, but depending on its quality you may receive valuable feedback.

Deadline for the final version will be decided during the first two sessions.

This adds up to a total of 14 weeks to work on your thesis, which is explained as follows. The thesis earns you **12 ECTS**, which is 2/5 of a semester workload (30 ECTS). Our regulation requires that you are given 10 weeks to work on your thesis. The additional time reflects the fact that you will have to do another 3/5 of the semester workload in other courses at the same time.

Style of thesis

- Length of the thesis must not exceed 20 pages (excluding references and appendix)
- Font: 12-point serif font (e.g. Times New Roman), 1.5 spacing
- Language: English
- Title page must include your name, student ID (Matrikelnummer) and your email.
- Citation: please apply consistent rules and be sure to cite all sources that you use.
- Figures: Key figures should be placed in the main part of the paper; supplementary figures may be placed in the appendix.
- Your introduction should state as well as motivate the research question that you pursue in your thesis.
- Be explicit on what is your own view compared to the view of the paper you are discussing.
- The conclusion section should offer a brief summary of what you have done and the results you have obtained; it should not bring new subjects.

Topics

- Aruoba, S. Boragan, and Thomas Drechsel. "Identifying monetary policy shocks: A natural language approach." (2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4069942
- Jonathon Hazell, Juan Herreño, Emi Nakamura, Jón Steinsson (2022), The Slope of the Phillips Curve: Evidence from U.S. States, *The Quarterly Journal of Economics*, <https://doi.org/10.1093/qje/qjac010>
- Coibion, Olivier, Yuriy Gorodnichenko and Michael Weber (2022), Monetary Policy Communications and the Their Effects in Household Inflation Expectations, *Journal of Political Economy*, <https://www.journals.uchicago.edu/doi/full/10.1086/718982>
- D'Acunto Francesco, Malmendier Ulrike, Ospina Juan and Michael Weber (2021), Exposure to Grocery Prices and Inflation Expectations, *Journal of Political Economy*, <https://www.journals.uchicago.edu/doi/full/10.1086/713192>
- Andre, Peter, Haaland, Ingar, Roth, Christopher, and Johannes Wohlfahrt (2022), Narratives about the Macroeconomy, *working paper*, https://econtribute.de/RePEc/ajk/ajkdps/ECONtribute_127_2021.pdf
- Miranda-Agrippino, Silvia, and Giovanni Ricco. "The transmission of monetary policy shocks." *American Economic Journal: Macroeconomics* 13, no. 3 (2021): 74-107, <https://www.aeaweb.org/articles?id=10.1257/mac.20180124>
- Känzig, Diego R. "The macroeconomic effects of oil supply news: Evidence from OPEC announcements." *American Economic Review* 111, no. 4 (2021): 1092-1125. <https://www.aeaweb.org/articles?id=10.1257/aer.20190964>

- Känzig, Diego R. *The unequal economic consequences of carbon pricing*. No. w31221. National Bureau of Economic Research, 2023, <https://www.nber.org/papers/w31221>
- Guvenen, Fatih, Luigi Pistaferri, and Giovanni L. Violante. *Global Trends in Income Inequality and Income Dynamics: New Insights from GRID*. No. w30524. National Bureau of Economic Research, 2022. <https://www.grid-database.org/>
- Coibion, O., Gorodnichenko, Y., Kueng, L., & Silvia, J. (2017). Innocent Bystanders? *Journal of Monetary Economics*, 88, 70-89. <https://www.sciencedirect.com/science/article/pii/S0304393217300466>