OVERVIEW
This four-day course is designed to familiarize economists with recent advances in the study of monetary and fiscal policy in the presence of heterogeneity. It is designed for researchers in central banks and other government and non-government agencies who wish to improve their understanding of state-of-the-art tools for incorporating income and wealth distributions into macroeconomic models, and the main policy lessons that have emerged from these models.

A growing literature argues that Heterogeneous Agent New Keynesian (HANK) models offer a useful framework for the analysis of macroeconomic shocks and policies. Advantages over traditional Representative Agent New Keynesian (RANK) models include the ability to study:

• new transmission mechanisms for monetary policy
• the impacts of monetary and fiscal policy on wealth and income distributions
• the conduct of policy in the presence of shocks that cannot be studied in the absence of heterogeneity

Many central banks have access to (or collect themselves) high-quality micro data on household and firm behavior. HANK models also open up the door to bringing this micro data to the table in order to empirically discipline macro theories.

TOPICS INCLUDE

• General equilibrium Heterogeneous Agent models with incomplete markets and uninsured idiosyncratic labor income risk
• Computational tools for heterogeneous agent models in discrete and continuous time
• Heterogeneous Agent models with sticky prices (HANK models)
• Monetary Policy in HANK: interest rates rules, forward guidance, quantitative easing
• Fiscal Policy in HANK: marginal propensities to consume, hand-to-mouth households
• Computational tools for heterogeneous agent models with aggregate shocks
• Bayesian estimation of HANK models (time permitting)

ABOUT THE INSTRUCTORS

Greg Kaplan
Greg Kaplan is Professor of Economics at the University of Chicago. His research spans macroeconomics, labor economics and applied microeconomics, with a focus on the distributional consequences of economic policies and economic forces. He has published extensively on the topics of inequality, risk sharing, unemployment, household formation, migration, fiscal policy and monetary policy. Greg was previously Professor and Assistant Professor in the Department of Economics at Princeton University, Assistant Professor in the Department of Economics at the University of Pennsylvania and an Economist in the Research Department of the Federal Reserve Bank of Minneapolis. He has been a consultant at the Federal Reserve Bank of Philadelphia and the Federal Reserve Bank of Chicago, and has had a visiting position at the Reserve Bank of Australia. He is an Editor at the Journal of Political Economy, a Research Associate at the National Bureau of Economic Research and a Research Fellow at the Institute for Fiscal Studies.

Benjamin Moll
Benjamin Moll is Professor of Economics at London School of Economics and Political Science. He is also a research affiliate at the Centre for Economic Policy Research. He has had visiting appointments in the Department of Economics at Harvard, New York University and Stanford. He is an associate editor at Econometrica. Moll’s current research aims to improve our understanding of the causes of the unequally distributed growth observed in many developed countries and the macroeconomic and distributional consequences of both monetary and fiscal policy.
LOGISTICS

Class Format
The class size will be intentionally limited to 20 people to maximize the experience of participants. Classes will consist of lectures by Professor Greg Kaplan (University of Chicago) and Professor Benjamin Moll (London School of Economics and Political Science) plus practical tutorial sessions. The lectures will be intimate and interactive, with ample opportunity for discussion. There will also be substantial time to talk and interact with Professors Kaplan and Moll.

Fee
The $5,000 fee (payable in US dollars) includes tuition, course materials, coffee breaks, meals, and social programs. Enrollment is confirmed upon receipt of full payment. Cancellations made after May 6, 2022, are subject to a 25 percent fee. Hybrid options will be in place for virtual participation in the formal agenda.

Travel Days
Travel Days Participants should plan to arrive on Monday, June 6, to attend an opening reception, and depart on Friday, June 10, after the day’s last session. Dinners with either Professor Kaplan or Professor Moll will be held on Tuesday and Thursday evenings.

Accommodations
Participants are responsible for booking their own accommodations. We will have a room block at a hotel conveniently located near the Booth London Campus (see website for more information).

Participants
This master class is suitable for PhD economists who desire to learn more about Heterogeneous Agent (HA) macroeconomics and Heterogeneous Agent New Keynesian (HANK) models. It is particularly tailored to economists at policy institutions such as the Federal Reserve System, the US Department of Treasury, and the Joint Committee on Taxation.

Examples of prospective participants include:

(1) Economists who are already familiar with RA New Keynesian economics and want to understand how the framework is altered in the presence of household heterogeneity

(2) Economists who are familiar with textbook HA models and want to understand how to incorporate nominal rigidities into this framework

(3) Economists who may or may not be familiar with HA models and want to learn about state-of-the-art computational techniques for solving the models

(4) Economists and policymakers who have heard about HANK models and just want to know what all the fuss is about: What are the lessons for monetary and fiscal policy? How does inequality affect monetary policy and vice-versa?

Preparation
Familiarity with macroeconomic tools and methods at the level of a 1st-year PhD course is expected. This includes, in particular, basic recursive methods (Bellman equations) as well as linearization of rational expectation models. Prior to the Master Class, we will send a list of suggested readings. We will also suggest preliminary material to study for registered participants based on their stated backgrounds.

For more information, visit bfi.uchicago.edu/master-class.