

Reading group, Macroeconomics

Topic: Heterogeneous Agents Models

Instructor: Andrea Colciago (Bicocca and Dutch Central Bank)

Outline

The reading group aims at introducing students to general equilibrium models with incomplete markets and heterogeneous agents. There will be an introductory lecture concerning the empirical evidence about the evolution of inequality in income and wealth in the US in the last few decades. The benchmark Aiyagari (1994) model will be introduced, and discussed.

The second lecture will deal with the numerical solution of the heterogeneous households model with firms dynamics and oligopolistic competition in Colciago and Mechelli (2019).

The third lecture will discuss the empirical evidence concerning firms' size and productivity distributions, together with a closed-economy version of the heterogeneous-firms model by Melitz (2003).

In the remaining meeting, students will choose a paper dealing with heterogeneity and present it to the rest of the class under the guidance of the teacher.

Main references

Aiyagari, S. R. (1994). Uninsured idiosyncratic risk and aggregate saving, *The Quarterly Journal of Economics* 109(3): 659.684.

Cagetti, M. & De Nardi, M. (2006). Entrepreneurship, frictions, and wealth, *Journal of Political Economy* 114(5): 835.870.

Colciago, de Hann, Samarina (2019). Central Bank policies and Income and wealth inequality a Survey: (With J. de Haan and A. Samarina). *Journal of Economic Surveys*, forthcoming

Colciago and Mechelli (2019). Competition and Inequality. DEMS, WP 398.

Castaneda, A., Diaz-Gimenez, J. & Rios-Rull, J.-V. (2003). Accounting for the us earnings and wealth inequality, *Journal of Political Economy* 111(4): 818.857.

De Nardi, M. & Fella, G. (2017). Saving and wealth inequality, *Review of Economic Dynamics* 26: 280.300.

Domeij, D. & Heathcote, J. (2004). On the distributional effects of reducing capital taxes, *International Economic Review* 45(2): 523.554.

Favilukis, J. (2013). Inequality, stock market participation, and the equity premium, *Journal of Financial Economics* 107(3): 740.759.

Gornemann, N., Kuester, K. & Nakajima, M. (2016). Doves for the rich, hawks for the poor? distributional consequences of monetary policy, Working Paper .

Hubmer, J., Krusell, P. & Smith Jr, A. A. (2016). The historical evolution of the wealth distribution: A quantitative-theoretic investigation, Technical report, National Bureau of Economic Research.

Huggett, M. (1996). Wealth distribution in life-cycle economies, *Journal of Monetary Economics*, 38(3): 469.494.

Krueger, D., Mitman, K. & Perri, F. (2016). Macroeconomics and household heterogeneity, *Handbook of Macroeconomics*, Vol. 2, Elsevier, pp. 843.921.

Krusell, P. & Smith, Jr, A. A. (1998). Income and wealth heterogeneity in the macroeconomy, *Journal of Political Economy* 106(5): 867.896.

Melitz, Marc. 2003. "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity." *Econometrica* 71: 1695-1725.

Quadrini, V. (2000). Entrepreneurship, saving, and social mobility, *Review of Economic Dynamics* 3(1): 1.40.

Quadrini, V. & Ríos-Rull, J.-V. (2015). Inequality in macroeconomics, *Handbook of Income Distribution*, Vol. 2, Elsevier, pp. 1229.1302.

Evaluation

50% class presentation

50% computational assignment