

12th DYNARE CONFERENCE

Banca d'Italia Congress Center

Via Nazionale 190

00184 Rome, Italy

September 29-30, 2016

Conference Program

Thursday, September 29th

08:30-09:00

Registration

09:00-10:45

Sessions A

A1

Credit and business cycle. Chair: M. Ferrari. Room: Auditorium

1. Interest rate dynamics, variable-rate loans, and the business cycle.

Patrick Pintus (*Banque de France*), **Yi Wen** (*Federal Reserve Bank of St. Louis & Tsinghua University*), **Xiaochuan Xing** (*Tsinghua University*) Paper

2. Macroeconomic and financial dynamics in small open economies.

Javier García-Cicco (*Central Bank of Chile - Universidad Católica Argentina*), **Markus Kirchner** (*Central Bank of Chile*) Paper

3. Cascades along the business cycle .

Massimo Ferrari (*Università Cattolica del Sacro Cuore*) Paper

A2

Occasionally binding constraints. Chair: M. Ratto. Room: 1

1. Existence, uniqueness and computation of solutions to dynamic models with occasionally binding constraints.

Tom D. Holden (*University of Surrey*) Paper

2. Latent variables and shocks contribution in DSGE models with occasionally binding constraints .

Massimo Giovannini (*European Commission, JRC*), **Marco Ratto** (*European Commission, JRC*)

A3

Monetary policy rules. Chair: F. Furlanetto. Room: 2

1. Wicksellian rules and the Taylor principle: Some practical implications.

Sofía Baudocco (*Central Bank of Chile*), **Rodrigo Caputo** (*Central Bank of Chile*) Paper

2. Policy rules in times of prolonged crisis: Quantitative easing abroad and fiscal adjustment at home.

Paul McNelis (*Fordham University*) Paper

3. Structural unemployment and monetary policy: The useful role of the natural rate of interest.

Francesco Furlanetto (*Norges Bank*), **Paolo Gelain** (*Norges Bank*) Paper

A4

Stock market. Chair: A. Ajello. Room: 3

1. Stock market cycles and supply side dynamics: Two worlds, one vision? .

Paul De Grauwe (*LSE*), **Eddie Gerba** (*Banco de España and LSE*) Paper

2. The role of learning for stock prices, business cycles, and monetary policy.

Fabian Winkler (*Federal Reserve Board*) Paper

3. Term premium, credit risk premium, and monetary policy.

Andrea Ajello (*Federal Reserve Board*), **Hiroatsu Tanaka** (*Federal Reserve Board*)

10:45-11:15

Coffee break

- 11:15-11:30 **Welcome address** Auditorium
Stefano Siviero (Banca d'Italia)
- 11:30-12:30 **Plenary session.** Room: Auditorium
Challenges for Macro Models Used at Central Banks
Raf Wouters (National Bank of Belgium) with **Jesper Lindé** and **Franck Smets**
- 12:30-14:00 Lunch
- 14:00-15:45 **Sessions B**
- B1 **Zero lower bound.** Chair: V. Ajevskis. Room: Auditorium
1. Equilibrium yield curves and the interest rate lower bound.
Taisuke Nakata (Federal Reserve Board), **Hiroatsu Tanaka** (Federal Reserve Board) Paper
 2. The empirical implications of the interest-rate lower bound.
Christopher Gust (Federal Reserve Board), **Edward Herbst** (Federal Reserve Board), *Matthew E. Smith* (Hutchin Hill Capital), *David Lopez-Salido* (Federal Reserve Board) Paper
 3. A term structure of interest rates model with the zero lower bound and the ECB nonstandard measures.
Viktors Ajevskis (Bank of Latvia) Paper
- B2 **Labor markets.** Chair: M. Kirchner. Room: 1
1. Credit Market Imperfections, Labor Markets, and Business Cycles in Emerging Economies.
Alan Finkelstein Shapiro (Tufts University), **Andrés González Gómez** (IMF) Paper
 2. A search and matching approach to business-cycle migration in the euro area.
Marius Clemens (DIW), **Janine Hart** (University of Potsdam) Paper
 3. Calvo wages vs. search frictions: A horse race in a DSGE model of a small open economy.
Markus Kirchner (Central Bank of Chile), **Rodrigo Tranamil** (Central Bank of Chile) Paper
- B3 **Fiscal policy.** Chair: C. Zarazaga. Room: 2
1. Budget-neutral fiscal rules targeting inflation differentials.
Maren Brede (Humboldt University) Paper
 2. Fiscal activism and the zero nominal interest rate bound.
Sebastian Schmidt (ECB) Paper
 3. Teasing out macroelasticities from the US budget sequestration 'experiment'.
Ruiyang Hu (Southern Methodist University), **Carlos Zarazaga** (Federal Reserve Bank of Dallas)
- B4 **Asset purchases.** Chair: M. Pisani. Room: 3
1. Interest rate pegs and central bank asset purchases: Perfect foresight and the reversal puzzle.
Rafael Gerke (Deutsche Bundesbank), **Sebastian Giesen** (Deutsche Bundesbank), *Daniel Kienzler* (Deutsche Bundesbank), *Jörn Tenhofen* (Swiss National Bank) Paper
 2. Government bond purchases and their transmission through the financial sector in an estimated banking model of the Euro area.
Michael Kühl (Deutsche Bundesbank) Paper
 3. Non-standard monetary policy, asset prices and macroprudential policy in a monetary union.
Massimiliano Pisani (Banca d'Italia)
- 15:45-16:15 Coffee break

- 16:15-17:45 **Sessions C**
- C1 **Macroprudential policy.** Chair: A. García-Lázaro. Room: Auditorium
1. On the limits of macroprudential policy.
Marcin Kolasa (National Bank of Poland - Warsaw School of Economics) Paper
 2. Leaning against the wind: A tale of three models.
Daniel Kienzler (Deutsche Bundesbank), *Rafael Gerke* (Deutsche Bundesbank), *Jörn Tenhofen* (Swiss National Bank)
 3. The assessment of macroprudential policies in a two country framework for Mexico and US.
Aída J. García-Lázaro (University of York) Paper
- C2 **Sectoral dynamics.** Chair: W. Lechthaler. Room: 1
1. Structural transformation, services deepening, and the transmission of monetary policy.
Alessandro Galesi (Banco de España), *Omar Rachedi* (Banco de España) Paper
 2. Job destruction without job creation: Structural transformation in the overborrowed America.
Alessandro Galesi (Banco de España), *Claudio Michelacci* (EIEF) Paper
 3. Comparative advantage and business cycle dynamics.
Wolfgang Lechthaler (Kiel Institute for the World Economy), *Mariya Mileva* (Kiel Institute for the World Economy) Paper
- C3 **Debt.** Chair: D. Matveev. Room: 2
1. Fiscal Buffers, Private Debt, and Stagnation: The Good, the Bad, and the Ugly.
Nicoletta Batini (IMF), *Giovanni Melina* (IMF), *Stefania Villa* (Center for Economic Studies) Paper
 2. Corporate debt financing and business cycles.
Jelena Zivanovic (Humboldt University)
 3. Monetary Policy and Government Debt Dynamics without Commitment.
Dmitry Matveev (University of Mannheim) Paper
- C4 **Risk and uncertainty.** Chair: J. Pfeifer. Room: 3
1. The nonlinear nature of country risk.
Michał Brzoza-Brzezina (National Bank of Poland - Warsaw School of Economics), *Jacek Kotlewski* (National Bank of Poland - Warsaw School of Economics) Paper
 2. Uncertainty-driven business cycles: Assessing the markup channel.
Benjamin Born (University of Bonn), *Johannes Pfeifer* (University of Mannheim) Paper

20:00 Dinner (by invitation)

Friday, September 30th

08:30-09:00 **Registration**

09:00-10:45 **Sessions D**

- D1 **Monetary policy and nominal rigidities.** Chair: D. Pfajfar. Room: Auditorium
1. Decoupling nominal and real rigidities.
Philipp Koenig (German Institute for Economic Research), *Alexander Meyer-Gohde* (Humboldt University) Paper
 2. Monetary policy implications of state-dependent prices and wages.
James Costain (Banco de España), *Anton Nakov* (ECB), *Borja Petit Zarzalejos* (CEMFI) Paper
 3. The natural vs. neutral rate of interest: Measurement and policy implications.
Hess Chung (Federal Reserve Board), *Cristina Fuentes-Albero* (Federal Reserve Board), *Matthias Paustian* (Federal Reserve Board), *Damjan Pfajfar* (Federal Reserve Board) Paper

- D2 **Regime switching.** Chair: A. Foerster. Room: 1
1. Changes in nominal rigidities in Poland: A regime switching DSGE perspective.
Pawel Baranowski (National Bank of Poland and University of Lodz), Zbigniew Kuchta (University of Lodz) Paper
 2. Estimation and filtering of nonlinear MSDSGE models.
Sergey Ivashchenko (St. Petersburg Institute for Economics and Mathematics) Paper
 3. Optimal monetary policy regime switches.
Jason Cho (Federal Reserve Bank of Kansas City), Andrew Foerster (Federal Reserve Bank of Kansas City) Paper
- D3 **Heterogenous expecations.** Chair: G. Goy. Room: 2
1. Inflation expectations, disagreement, and monetary policy.
Mathias Hoffmann (Deutsche Bundesbank), Patrick Hürtgen (Deutsche Bundesbank) Paper
 2. Cross-country disagreement about inflation expectations in a currency union and monetary policy.
Mathias Hoffmann (Deutsche Bundesbank), Patrick Hürtgen (Deutsche Bundesbank) Paper
 3. Forward guidance and the role of central bank credibility under heterogeneous beliefs.
Gavin Goy (CeNDEF, University of Amsterdam-Tinbergen Institute), Cars Hommes (CeNDEF, University of Amsterdam-Tinbergen Institute), Kostas Mavromatis (MInt, University of Amsterdam-Tinbergen Institut) Paper
- D4 **Euro area.** Chair: A. Cole. Room: 3
1. Macroeconomic effects of reducing labor tax in the euro area. A structural model-based approach.
Pascal Jacquinot (ECB), Matija Lozej (Central Bank of Ireland), Massimiliano Pisani (Bank of Italy) Paper
 2. Probably too little, certainly too late. An assessment of the Juncker investment plan.
Mathilde Le Moigne (Ecole Normale Supérieure), Francesco Saraceno (OFCE , Sciences Po, LUISS-SEP), Sébastien Villemot (OFCE , Sciences Po) Paper
 3. One EMU fiscal policy for the euro.
Alexandre Lucas Cole (LUISS Guido Carli), Chiara Guerello (LUISS Guido Carli), Guido Traficante (European University of Rome) Paper
- 10:45-11:15 Coffee break
- 11:15-12:15 **Plenary session.** Room: Auditorium
Private Money Creation and Equilibrium Liquidity
Pierpaolo Benigno (LUISS Guido Carli University and EIEF) with Roberto Robatto Paper
- 12:15-14:00 Lunch
- 14:00-15:45 **Sessions E**
- E1 **Credit, banking and monetary policy.** Chair: S. Moyen. Room: Auditorium
1. Risky mortgages, bank leverage and credit policy .
Francesco Ferrante (Federal Reserve Board)
 2. The role of shadow banking in the monetary transmission mechanism.
Falk Mazelis (Institute for Economic Theory II, Humboldt University) Paper
 3. Optimal capital regulation.
Stéphane Moyen (Deutsche Bundesbank), Josef Schroth (Bank of Canada)

- E2 **Heterogenous agents.** Chair: P. Grüning. Room: 1
1. Heterogeneous household finances and the effect of fiscal policy.
*Javier Andrés (University of Valencia), José E. Boscá (University of Valencia, FEDEA), Javier Ferri (University of Valencia, FEDEA), **Cristina Fuentes-Albero** (Federal Reserve Board)* Paper
 2. Commodities, financialization, and heterogeneous agents.
*Nicole Branger (University of Muenster), **Patrick Grüning** (Bank of Lithuania - Vilnius University), Christian Schlag (Goethe University)* Paper
- E3 **Monetary policy.** Chair: H. Weber. Room: 2
1. Optimal monetary policy with counter-cyclical credit spreads.
*Marco Airaudó (Drexel University), **Maria Pia Olivero** (Drexel University)* Paper
 2. Institutional Mandates for Macroeconomic and Financial Stability.
***Alessandro Flamini** (University of Pavia), Pierre-Richard Agénor (University of Manchester and Centre for Growth and Business Cycle Research)* Paper
 3. The optimal inflation rate and the sources of productivity growth.
*Klaus Adam (University of Mannheim), **Henning Weber** (Deutsche Bundesbank)* Paper
- E4 **Open economies.** Chair: T. Sunakawa. Room: 3
1. Reserve accumulation and the Dutch disease.
*Ruy Lama (IMF), **Julia Faltermeier** (Universitat Pompeu Fabra), Juan Pablo Medina (Universidad Adolfo Ibanez)*
 2. Deep Habits and Exchange Rate Pass-through.
*Punnoose Jacob (Reserve Bank of New Zealand), **Lenno Uusküla** (Bank of Estonia)* Paper
 3. Sustainable international monetary policy cooperation.
*Ippei Fujiwara (Keio University - Australian National University), Timothy Kam (Australian National University), **Takeki Sunakawa** (The University of Tokyo)* Paper
- 15:45-16:15 Coffee break
- 16:15-17:45 **Sessions F**
- F1 **Unconventional monetary policy.** Chair: M. Di Pietro. Room: Auditorium
1. The theory of unconventional monetary policy.
*Roger E.A. Farmer (UCLA), **Pawel Zabczyk** (Bank of England)* Paper
 2. Quantitative easing in a small open economy: An international portfolio balancing approach.
***Serdar Kabaca** (Bank of Canada)*
 3. The optimal duration of the forward guidance at the zero lower bound.
***Marco Di Pietro** (Sapienza University of Rome), Giovanni Di Bartolomeo (Sapienza University of Rome), Elton Beqiraj (Sapienza University of Rome)*
- F2 **Methodological advances.** Chair: G. Nicoló. Room: 1
1. "Forecast Uncertainty in the Neighborhood of the Effective Lower Bound: How Much Asymmetry Should We Expect?."
*Andrew Binning (Norges Bank), **Junior Maih** (BI Norwegian Business School - Norges Bank)* Paper
 2. A generalized approach to indeterminacy in linear rational expectations models.
*Francesco Bianchi (Cornell University), **Giovanni Nicoló** (UCLA)* Paper

- F3 **Risk management.** Chair: A. Binning. Room: 2
1. Could the boom-bust in eurozone's periphery have been prevented?
*Marcin Bielecki (National Bank of Poland - University of Warsaw), Michał Brzoza-Brzezina (National Bank of Poland - Warsaw School of Economics), Marcin Kolasa (National Bank of Poland - Warsaw School of Economics), **Krzysztof Makarski** (National Bank of Poland - Warsaw School of Economics)* Paper
 2. Interest rate rules and inflation risks in a macro-finance model.
*Roman Horvath (Charles University, Prague), **Lorant Kaszab** (Central Bank of Hungary), Ales Marsal (National Bank of Slovakia)* Paper
 3. Joint prediction bands for macroeconomic risk management .
*Farooq Akram (Norges Bank), **Andrew Binning** (Norges Bank), Junior Maih (BI Norwegian Business School - Norges Bank)* Paper
- F4 **Financial frictions in small open economies.** Chair: S. Ravn. Room: 3
1. Financial integration, financial frictions and business cycles of emerging market economies.
Tianxiao Zheng (Shanghai Advanced Institute of Finance, SAIF) Paper
 2. Deepening contractions and collateral constraints.
*Henrik Jensen (University of Copenhagen), **Søren Hove Ravn** (University of Copenhagen), Emiliano Santoro (University of Copenhagen)* Paper

Presentation slides must be loaded from your USB key on the computer before the beginning of the session. Please, avoid encrypted USB keys.

Count 25 minutes for presentations so as to leave about 10 minutes for discussion.

If the session chair is not present at the beginning of the session the first presenter takes over the chair.

The conference is sponsored by Banca d'Italia, Banque de France, DSGE-net and Dynare project at CEPREMAP.

Organizers: Nesma Ali (CEPREMAP), Andrea Gerali (Banca d'Italia), Michel Juillard (Banque de France), Alessandro Notarpietro (Banca d'Italia) and Massimiliano Pisani (Banca d'Italia).