

Topics on Macroeconomy B: Housing and the Macroeconomy

Ph. D. class
Universidad Carlos III de Madrid
Academic Year 2016-17

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Course description

In this class we will review key and recent contributions in the field of Macroeconomics that explicitly model housing tenure decisions and residential investment, either at the macro or the micro level, to study various issues that are part of the public debate nowadays such as, for instance: How does residential investment contribute to shape the business cycle? Can we understand the recent housing boom? What is the quantitative effect of financial markets liberalization and opening up to international trade? Is there a consumption wealth effect? From a microeconomic perspective: do homeowners respond differently to uninsurable idiosyncratic risks? Why?

The objective of this class is to highlight key issues that, in the light of recent events, are likely to be an important part of the research agenda in this topic.

Assignments and Grading

Students enrolled in the class will have to solve three assignments and a final exam. The first assignment will comprise theoretical exercises and the other two will be computational. The weight will be 20% each assignment and 40% the final exam.

Topics and tentative list of readings

Here you will find (some) of the papers that we will review in depth.

1. Modeling housing at the aggregate level

1. Morris A. Davis & Jonathan Heathcote, 2005. "Housing And The Business Cycle," *International Economic Review*, vol. 46(3), pages 751-784, 08.
2. Timothy J. Kehoe & Kim J. Ruhl & Joseph B. Steinberg, 2016. "[Global Imbalances and Structural Change in the United States](#)," forthcoming in JPE.

2. The household's portfolio

3. Antonia Díaz & María J. Luengo-Prado, 2010. "The Wealth Distribution With Durable Goods," *International Economic Review*, vol. 51(1), pages 143-170, 02.
4. Antonia Diaz & María J. Luengo-Prado, 2008. "On the User Cost and Homeownership," *Review of Economic Dynamics*, Elsevier for the Society for Economic Dynamics, vol. 11(3), pages 584-613, July.

3. Booms and busts in the housing market

5. V. Guerrieri, H. Uhlig, Chapter 17 - Housing and Credit Markets: Booms and Busts, In: John B. Taylor and Harald Uhlig, Editor(s), Handbook of Macroeconomics, Elsevier, 2016, Volume 2, Pages 1427-1496.
6. Garriga C. et al. "[A Macroeconomic Model of Price Swings in the Housing Market](#)".
7. Adam, Klaus & Beutel, Johannes & Marcet, Albert, 2014. "Stock Price Booms and Expected Capital Gains," Working Papers 14-12, University of Mannheim, Department of Economics.
8. V. Guerrieri and G. Lorenzoni: "Credit crisis, precautionary savings and liquidity traps", 2015.

4. Migration and housing

9. Stijn Van Nieuwerburgh & Pierre-Olivier Weill, 2010. "Why Has House Price Dispersion Gone Up?," Review of Economic Studies, Oxford University Press, vol. 77(4), pages 1567-1606.
10. Coen-Pirani, D. (2010). Understanding gross worker flows across U.S. states. Journal of Monetary Economics, 57(7):769–784.
11. Lkhagvasuren, D. (2012). Big locational unemployment differences despite high labor mobility. Journal of Monetary Economics, 59(8):798–814.
12. Demyanyk, Yuliya & Hryshko, Dmytro & Luengo-Prado, Maria Jose & Sorensen, Bent E., 2016. "Moving to a new job: the role of home equity, debt, and access to credit," Working Papers 16-1, Federal Reserve Bank of Boston.

5. Taxation

13. Gervais, Martin, 2002. "Housing taxation and capital accumulation," Journal of Monetary Economics, Elsevier, vol. 49(7), pages 1461-1489, October.
14. Sommer, K. and Sullivan, P., 2016, "[Implications of the US tax policy for House Prices and Rents](#)".