

Macroeconomics in Crisis since the Crisis?

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Initial Remark

This talk is an attempt at a summary of my forthcoming 36-page paper “Erfolge und Probleme der modernen (Mainstream-)Makroökonomik” in the List Forum (hopefully in 2019).

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- Estimation and simulation of DSGE models (including those with heterogeneous agents) to quantitatively model the business cycle and stabilization policies.
- New fields like family and environmental macroeconomics, etc.

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All interesting and important topics in their own right.

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Yet, I can only fail in this task, given its vastness.

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... and **S**tochastic ...

“Stochastic” means that the future is uncertain and this matters.

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In addition:

- Micro foundations: the principal unity of macro- and microeconomics and the rich treasure of microeconomic data that we need to distinguish between macro models empirically.
- Modularity: DSGE models are incredibly modular and versatile where researchers can easily bring new elements into play in a very transparent way.

D_{ynamic} S_{tochastic} G_{eneral} E_{quilibrium}

There will never be a **static deterministic partial non-equilibrium** macro!

DSGE as a concrete model

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Whatever - I have my reservations, too. Doesn't mean it is not useful for some stuff.

“New” data

- Panel Study of Income Dynamics (PSID)
- National Longitudinal Survey of Youth (NLSY)
- Survey of Income and Program Participation (SIPP)
- Current Population Survey (CPS)
- Consumer Expenditure Survey (CEX)
- Survey of Consumer Finances (SCF)
- German Socio-Economic Panel (GSOEP)
- Einkommens- und Verbrauchsstichprobe (EVS)
- Eurosystem Household Finance and Consumption Survey
- Panel on Household Finances (PHF)
- Michigan Survey of Consumers
- Survey of Consumer Expectations
- ifo business and investment sentiment surveys
- American time use surveys
- Annual Survey of Manufacturers (ASM)
- Business Employment Dynamics (BDM)
- Job Openings and Labor Turnover Survey (JOLTS)
- Kauffman Firm Survey of new firms
- CPI and PPI micro data
- USTAN, Kombifid and Afid firm data in Germany
- Text corpora like online news, federal open market committee transcripts, social media
- All manner of administrative data

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- Inflation expectations and their role for expenditure decisions; also their long-run origins.

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- Business expectation formation and business uncertainty.

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 - State-dependence of stabilization policies
- Business cycle accounting: what are the relevant wedges for aggregate fluctuations?

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- Models of imperfect information: sticky and noisy information acquisition, which can now be tested with survey expectation data.
- Financial frictions models: nature of borrowing constraints and lending constraints; role of collateral for macroeconomic fluctuations.

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- Combination of incomplete markets, market segmentation and nominal frictions: HANK model - recovers many Old Keynesian insights (quantities matter, perhaps more than relative prices) but fully microfounded.
- Combination of nominal frictions and job ladder models that suggest that rather than using the unemployment rate, one should use job-to-job transitions as an indicator of slack (or lack thereof).

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- Financial shocks

New Topics

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- The macroeconomics of time use: what do people actually do in their “leisure” time?

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I readily admit that modern macro is underdeveloped in these areas.

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I am also open to agent-based models, even though I think they have yet to prove their usefulness.

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I am open to learning what can be learned from complex systems theory.

But I am not open to bringing in French Critical Theory into macroeconomics.

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In *this* particular sense, macro is also almost surely not intellectually diverse enough.

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Whoever claims this, willfully disregards the evidence and has a very different agenda than scientific progress.

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- 1 Blanchard (2008): “The state of macro is good.”
- 2 Reis (2018): “On top of this, asking an active researcher in macroeconomics to consider what is wrong with macroeconomics today is sure to produce a biased answer. The answer is simple: **everything is wrong with macroeconomics**. Every hour of my workday is spent identifying where our knowledge falls short and how can I improve it.”

An Invitation...

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Your are too young for that.

Just Do It!

