

**DEBT,**

*Financial Markets,*

and

**MONETARY  
POLICY**

Federal Reserve Bank of St. Louis

**34th Annual  
Economic Policy Conference**

October 15-16, 2009

# Debt, Financial Markets, and Monetary Policy

*All conference events will take place at the  
Federal Reserve Bank of St. Louis, Sixth Floor.*

## Thursday, October 15, 2009

- 8:00 AM            **Continental Breakfast**  
*Auditorium pre-function area*
- 8:45-9:00 AM    **Opening Remarks**  
**James Bullard, President,**  
*Federal Reserve Bank of St. Louis*
- 9:00-10:00 AM  
**“Decentralized Trading with Private Information”**
- Presenter:        **Michael Golosov,**  
*Yale University*
- Coauthors:       **Guido Lorenzoni,**  
*Massachusetts Institute of Technology*  
**Aleh Tsyvinski,**  
*Yale University*
- Discussant:      **TBD**
- 10:00-10:15 AM   **Break**
- 10:15-11:15 AM  
**“Growing Like China”**
- Presenter:        **Kjetil Storesletten,**  
*University of Oslo*
- Coauthors:       **Zhen Michael Song,**  
*Fudan University*  
**Fabrizio Zilibotti,**  
*Stockholm University*
- Discussant:      **George A. Alessandria,**  
*Federal Reserve Bank of Philadelphia*
- 11:15-11:30 AM   **Break**

11:30-12:30 PM

**“Redistributive Taxation in a Partial-Insurance Economy”**

Presenter: **Gianluca Violante**  
*New York University*

Coauthors: **Jonathan Heathcote**,  
*Federal Reserve Bank of Minneapolis*

**Kjetil Storesletten**,  
*University of Oslo*

Discussant: **Yongseok Shin**,  
*Washington University in St. Louis and  
Federal Reserve Bank of St. Louis*

12:30-2:00 PM **Lunch**

2:00-3:00 PM

**“Conventional and Unconventional Monetary Policy”**

Presenter: **Michael Woodford**,  
*Columbia University*

Coauthor: **Vasco R. Curdia**,  
*Federal Reserve Bank of New York*

Discussant: **Michele Boldrin**,  
*Washington University in St. Louis and  
Federal Reserve Bank of St. Louis*

3:00-3:15 PM **Break**

3:15-4:15 PM

**“New Monetarist Economics”**

Presenter: **Stephen Williamson**,  
*Washington University in St. Louis and  
Federal Reserve Bank of St. Louis*

Coauthor: **Randall Wright**,  
*University of Wisconsin–Madison*

Discussant: **Robert E. Lucas Jr.**,  
*University of Chicago*

4:15-4:30 PM **Break**

4:30-5:30 PM

**“Asset Prices, Liquidity, and Monetary Policy”**

Presenter: **Ricardo Lagos**,  
*New York University*

Discussant: **Gaetano Antinolfi**,  
*Washington University in St. Louis and  
Federal Reserve Bank of St. Louis*

5:30-7:00 PM **Reception**  
*St. Louis Room*

7:00-10:00 PM **Dinner**

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**Friday, October 16, 2009**

8:15 AM **Continental Breakfast**  
*Auditorium pre-function area*

9:00-10:00 AM

**“Fortune or Virtue:  
Time-Variant Volatilities Versus  
Parameter Drifts in the Great Moderation”**

Presenter: **Jesús Fernández-Villaverde**,  
*University of Pennsylvania*

Coauthors: **Pablo A. Guerron**,  
*Federal Reserve Bank of Philadelphia*

**Juan F. Rubio-Ramirez**,  
*Duke University and  
Federal Reserve Bank of Atlanta*

Discussant: **Tao Zha**,  
*Federal Reserve Bank of Atlanta*

10:00-10:15 AM **Break**

10:15-11:15 AM

**“Winners and Losers in Housing Markets”**

Presenter: **Nobuhiro Kiyotaki,**  
*Princeton University*

Coauthors: **Alexander Michaelides,**  
*London School of Economics*

**Kalin Nikolov,**  
*London School of Economics*

Discussant: **Don E. Schlagenhauf,**  
*Florida State University*

11:15-11:30 AM **Break**

11:30-12:30 PM

**“Confronting Models of Financial Frictions  
with the Data”**

Presenter: **V.V. Chari,**  
*University of Minnesota and  
Federal Reserve Bank of Minneapolis*

Coauthor: **Patrick Kehoe,**  
*University of Minnesota and  
Federal Reserve Bank of Minneapolis*

Discussant: **Harold L. Cole,**  
*University of Pennsylvania*

12:30-2:00 PM **Lunch**

**Authors and Discussants**  
(in alphabetical order)

## GEORGE A. ALESSANDRIA

George Alessandria is an economic adviser and economist in the Research Department at the Federal Reserve Bank of Philadelphia. He has taught at the Wharton School at the University of Pennsylvania, the Stern School of Business at New York University, and The Ohio State University. He has been the recipient of National Science Foundation grants and has been an associate editor for the *International Economic Review* since 2007. His research interests include theoretical and empirical issues in international trade and finance. He received his doctorate in economics in 2000 from the University of Pennsylvania.

## GAETANO ANTINOLFI

Gaetano Antinolfi is an associate professor of economics at Washington University in St. Louis. He has been a research fellow at the Federal Reserve Bank of St. Louis. His research examines issues in macro, monetary, and international economics; recent papers analyze the role of a central bank as a lender of last resort, the equilibrium financial structure of the economy, dollarization, and external crises. His teaching is in macroeconomic theory and open-economy macroeconomics. He has published articles in several professional journals, including *Economic Theory*, the *Journal of Monetary Economics*, and the *Journal of Economic Theory*. He received his doctorate in economics in 1997 from Cornell University.

## MICHELE BOLDRIN

Michele Boldrin is the J.G. Hoyt Distinguished University Professor and chair of the department of economics at Washington University in St. Louis. He is a research fellow at the Federal Reserve Bank of St. Louis and an economic adviser to the Bank of Spain. He has held positions at the Santa Fe Institute, Stanford University, University of Pennsylvania, UCLA, Academia Sinica, Chinese University of Hong Kong, University of Chicago, Università Bocconi, IAS at Wuhan University, Beijing University, Kyoto University, and University of Tokyo, among others. He is a fellow of the Econometric Society and a research fellow of Centre for Economic Policy Research (London) and FEDEA (Madrid), an associate editor of *Econometrica*, an editor of the *Review of Economic Dynamics*, and the book review editor of *Macroeconomic Dynamics*. His research focuses on the theory and application of dynamic general equilibrium models. He has written on economic

growth, business cycles, asset pricing, the welfare system, innovation theory, and technological progress, among other topics. His fourth book, written with David K. Levine, was published in August 2008 by Cambridge University Press: *Against Intellectual Monopoly*. He received his doctorate in economics in 1987 from the University of Rochester.

## V.V. CHARI

V.V. Chari has been a professor of economics at the University of Minnesota since 1994 and is currently the Paul W. Frenzel Land Grant Professor of Liberal Arts. He was a production engineer at Union Carbide India, Limited, from 1974 to 1976. After joining the J.L. Kellogg Graduate School of Management, Northwestern University, as an assistant professor of managerial economics, he moved to the Federal Reserve Bank of Minneapolis in 1986, where he eventually became senior research officer and economic adviser. In 1992 he returned to the Kellogg School as the Harold H. Hines, Jr. Professor of Risk Management. He served as an associate editor of the *Journal of Financial Intermediation* and serves on the board of editors of the *Journal of Economic Theory*, *Macrodynamics*, and *Review of Economic Dynamics*. In 1998, he became a fellow of the Econometric Society. His research interests are in banking, fiscal and monetary policy, and issues of economic development; he has written extensively on banking crises, exchange rate fluctuations, and international capital flows. He received his doctorate in economics in 1980 from Carnegie Mellon University.

## HAROLD L. COLE

Harold Cole is a professor of economics at the University of Pennsylvania and the author of numerous articles in macroeconomics, international economics, and finance and economic history. He is on the editorial board of the *International Economic Review*. Before joining the faculty at the University of Pennsylvania in 2006, he was a professor of economics at UCLA (2000-06) and a research economist at the Federal Reserve Bank of Minneapolis (1990-2000). One of his best-known articles is "New Deal Policies and the Persistence of the Great Depression: A General Equilibrium Analysis," with Lee Ohanian, in the *Journal of Political Economy* (which argued that Roosevelt's labor and industrial policies significantly lengthened the Great Depression in the United States). He received his doctorate in economics in 1986 from the University of Rochester.

## VASCO R. CURDIA

Vasco Curdia joined the staff at the Federal Reserve Bank of New York in August 2006 and is an economist in the Macroeconomic and Monetary Studies Function of the Research and Statistics Group. He served as a lecturer at Princeton University and consultant to the European Central Bank. His fields of research include macroeconomics, monetary economics, international finance, time-series econometrics, with particular interest in monetary policy. His current research uses theoretical and empirical dynamic stochastic general equilibrium models to analyze monetary policy, namely in the presence of credit frictions. He received his doctorate in economics in 2007 from Princeton University.

## JESÚS FERNÁNDEZ-VILLAVERDE

Jesús Fernández-Villaverde is a professor of economics and the faculty supervisor of the macroeconomics cluster at the University of Pennsylvania. He is a research associate of the National Bureau of Economic Research and the Center for Economic Policy Research (Washington, DC). Previously he taught at Yale, Duke, and New York universities and has been a visiting scholar at the Federal Reserve Banks of Atlanta and Philadelphia. His areas of research include macroeconomics, econometrics, and economic history. He received his doctorate in economics in 2001 from the University of Minnesota.

## MICHAEL GOLOSOV

Michael Golosov is a professor of economics at Yale University; previously he was the Dornbusch Career Development Associate Professor at the Massachusetts Institute of Technology. He is a research fellow of the National Bureau of Economic Research. Previously he taught at Harvard University and the University of Chicago and has been a visiting scholar at the Federal Reserve Banks of Atlanta and Minneapolis and the Board of Governors. He has received National Science Foundation grants and a Sloan research fellowship. He serves as an associate editor for the *Journal of Monetary Economics*, *Journal of Public Economics*, and *Finnish Economic Papers*. He received his doctorate in economics in 2004 from the University of Minnesota.

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Pablo Guerron is an economist at the Federal Reserve Bank of Philadelphia. He has been a visiting scholar at the Federal Reserve Bank of Atlanta and Duke University and previously taught at North Carolina State University. His areas of research include macroeconomics, international finance, and time-series studies. He received his doctorate in economics in 2006 from Northwestern University.

## JONATHAN HEATHCOTE

Jonathan Heathcote is a senior economist in the Research Department of the Federal Reserve Bank of Minneapolis. Previously he was in the International Finance Division at the Board of Governors of the Federal Reserve System and on the faculty at Georgetown University, the Stockholm School of Economics, and Duke University; he has been a visiting scholar at several institutions, including the Federal Reserve Bank of Atlanta. His work has appeared in many publications, including the *Review of Economic Studies*, *Journal of Monetary Economics*, *International Economic Review*, and *Journal of Economic Theory*. He is an editor of the *Berkeley Electronic Journal of Macroeconomics* and an associate editor of the *Review of Economic Dynamics* and *Journal of Monetary Economics*. His current research focuses on understanding the evolution of cross-sectional inequality in wages, labor supply, income, consumption, and welfare. He received his doctorate in economics in 1998 from the University of Pennsylvania.

## PATRICK KEHOE

Patrick Kehoe has been affiliated with the Federal Reserve Bank of Minneapolis since 1986 and has served as monetary adviser since 1997. He is also the Frenzel Professor of International Economics at the University of Minnesota. A prolific researcher, he has published in numerous prestigious publications, including the *Journal of International Economics*, *Econometrica*, *International Economic Review*, and *Journal of Economic Theory*. He currently serves on several editorial boards and is a fellow of the Econometric Society. He has been awarded several grants, including six from the National Science Foundation. His research focuses on monetary policy, time consistency, and financial crises. He received his doctorate in economics in 1986 from Harvard University.

## **NOBUHIRO KIYOTAKI**

Nobuhiro Kiyotaki is a professor of economics at Princeton University. He has taught at the University of Wisconsin at Madison, the University of Minnesota, and the London School of Economics. He is a fellow of the Econometric Society and was awarded the 1997 Nakahara Prize of the Japanese Economic Association and 1999 Yrjö Jahnsson Award of the European Economic Association. He is especially known for proposing several models that provide deeper microfoundations for macroeconomics, which lead to a better understanding of the roles of money and credit for aggregate economic activity. He received his doctorate in economics in 1985 from Harvard University.

## **RICARDO LAGOS**

Ricardo Lagos is an associate professor of economics at New York University. Previously, he was a lecturer at the London School of Economics and a senior economist at the Federal Reserve Bank of Minneapolis. He is a regular visiting professor at Universidad Di Tella in Argentina. He has also been a visiting scholar at the Federal Reserve Banks of Cleveland, Minneapolis, and New York. He currently serves as associate editor for the *Journal of Economic Theory*, *Journal of Monetary Economics*, and *Review of Economic Dynamics*. His research interests are in macroeconomics, with emphasis on labor and monetary economics. He has published in several journals, including *American Economic Review*, *Econometrica*, *International Economic Review*, *Journal of Political Economy*, *Journal of Economic Theory*, and *Review of Economic Studies*. He received his doctorate in 1997 from the University of Pennsylvania.

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## **ROBERT E. LUCAS JR.**

Robert Lucas won the 1995 Nobel Prize for economics for developing and applying the theory of rational expectations; he found that individuals will offset the intended results of national fiscal and monetary policy by making private economic decisions based on past experiences and anticipated results. He is the John Dewey Distinguished Service Professor of Economics at the University of Chicago. He received his doctorate in economics in 1964 from the University of Chicago.

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Alexander Michaelides is an associate professor of economics at the London School of Economics. Previously he taught at the University of Cyprus and worked as a foreign exchange economist at Lehman Brothers International. He has been a visiting scholar at the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York. He is a faculty member of the Financial Markets Group, a research associate of the Centre for Economic Policy Research (London), a research fellow of Netspar and the Center for Finance and Credit Markets, and co-editor of *Economica*. He received his doctorate in economics in 1997 from Princeton University.

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## MICHAEL WOODFORD

Michael Woodford is the John Bates Clark Professor of Political Economy at Columbia University. He joined the faculty at Columbia in 1984, then the University of Chicago and Princeton University, before returning to Columbia in 2004. He has been a MacArthur Fellow and a Guggenheim Fellow and is a fellow of the American Academy of Arts and Sciences and the Econometric Society, a research associate of the National Bureau of Economic Research, and a research fellow of the Centre for Economic Policy Research (London). He was awarded the 2007 Deutsche Bank Prize in Financial Economics. His main research interests are in macroeconomic theory and monetary policy; he wrote the treatise *Interest and Prices: Foundations of a Theory of Monetary Policy*, which received the 2003 Association of American Publishers Award for best professional/scholarly book in economics. He is also co-author or co-editor of several other volumes, including a three-volume *Handbook of Macroeconomics* (with John B. Taylor) and *The Inflation Targeting Debate* (with Ben S. Bernanke). He serves on a monetary policy advisory panel for the Federal Reserve Bank of New York and frequently consults for other central banks as well. He received his J.D. in 1980 from Yale Law School and his doctorate in economics in 1983 from the Massachusetts Institute of Technology.

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Tao Zha is director of the Center for Quantitative Economic Research in the research department of the Federal Reserve Bank of Atlanta and professor of economics at Emory University. His major fields of study are macroeconomics and econometrics. He has published in many journals, including *American Economic Review*, *Journal of Monetary Economics*, *Brookings Papers on Economic Activities*, *Econometrica*, *Review of Economic Studies*, and *Journal of Political Economy*. He serves as associate editor of *Journal of Econometrics*, *Macroeconomic Dynamics*, and *Journal of Applied Econometrics*. He received his doctorate in economics from the University of Minnesota in 1993.

## FABRIZIO ZILIBOTTI

Fabrizio Zilibotti is a professor of macroeconomics at Stockholm University's Institute for International Economic Studies and a part-time professor of economics at the University of Southampton. He is associate editor of the *European Economic Review*, *Journal of Economic Growth*, and *Scandinavian Journal of Economics*. He is a member of the Expert Group on Development Issues (EGDI), Ministry of Foreign Affairs of Sweden. He joined CERGE-EI as a visiting professor in 2001. His areas of research include macroeconomics, economic and financial growth and development, technical change, growth with market imperfection and incompleteness, labor economics, European unemployment, migration, redistribution, and political conflict. He received his doctorate in economics in 1994 from the London School of Economics.

