

DSGE MODELING IN MACROECONOMICS: Macro/Finance Applications

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Outline

- Observations on the challenges posed for policy by the lower bound (ZLB) on nominal interest rates.
- Prominent example of the sort of model that can help us think about 2008 financial crisis.
 - Rollover crisis model Gertler-Kiyotaki, Gertler-Kiyotaki-Prestipino.
 - For this, need to first understand the model of Gertler-Karadi.

Outline, cnt'd

- Model of financial frictions in borrowers useful for understanding normal business fluctuations.
- Model of how debt deleveraging can lead to a prolonged recession.
 - Example of resurgence of interest in heterogeneous agent models.