This PhD workshop is organized by the Macroeconomics, Growth and History Centre (MaGHiC). The workshop is designed for MaGHiC student members to receive direct feedback from faculty members in a conference setting. We invite all PhD students with an interest in the research areas of MaGHiC to attend.

**Presentations**

Presentations of 20 minutes followed by 5 to 10 minutes of discussion.

14:00-14:30 **Gustavo Mellior: “Evaluating the general equilibrium welfare effect of bank information and debt maturity in a Huggett model”**

We develop a heterogeneous agent economy where agents are allowed to file for bankruptcy. We evaluate the general equilibrium welfare effects of banks having full, partial and no information on their borrowers. We also study the interaction of information with the maturity of debt. We identify a set of amortisation rates that endogenously create a debt limit when banks have full information.

14:30-15:00 **Myoungeun Chin: “The Role of Reference Point in the Wealth Distribution”**

In spite of innovative achievement heterogeneous models have made in recent 30 years, there are still some puzzles in understanding inequalities in this model framework: Wealth inequality is too mild to demonstrate the reality given reasonable calibrations. To address them, in addition to elaborate the model itself, lots of macroeconomists have suggested different analyses. Most of them have worked on modifying financial frictions, while some of them have focused on the statistical characteristics. Besides, there are papers which have paid attention on the utility function, namely consumers' behaviour. This presentation is an attempt to replicate one of those papers, which emphasised the role of (internal) habit formation, but turning its setup to the external habit. Taking the within-group average consumption into consideration as the reference point, this piece of work aims to find the more effective tool to understand such a high wealth distribution.

15:10-15:40 **Oluwaseun Ologun: “Foreign Direct Investment and Intra-industry spillovers”**

This study examines the different channels of intra-industry spillover as a result of foreign presence. It investigates the horizontal spillover, competition and linkage effects associated with foreign presence in an industry. Separating the competition effect of foreign presence from the horizontal (knowledge flow) effect has been a challenge in the literature. Using a
panel of Sub-Saharan African firms, this study attempts to provide evidence on the competition and horizontal spillover effect by disentangling both channels. In addition, it investigates the linkage effect from foreign presence. Earlier studies find that foreign firms assist domestic suppliers to become productive. This study examines if this linkage effect passes on to the domestic firms.


The presence of informal labour markets affect the business cycle dynamics of an economy. In this paper, we explore informal employment using different measures of informality. We find that it is countercyclical in Mexico, Colombia and Turkey but procyclical in South Africa. In addition, it is negatively correlated with formal employment in Mexico and Turkey but positively correlated in Colombia and South Africa. To account for these empirical findings, we propose a small open economy business cycle model that incorporates formal and informal labour markets, and this model subjects to stationary and trend shocks to total factor productivity. We also allow labour adjustment costs in this model as strict employment protection which reflect features of these economies. The results show that this model amplifies the effects of shocks and can capture some key stylized facts of the labour market but its performance depends on what measures of informal employment are used.

16:20-16:50 Benjamin Caswell: “Elasticity of substitution and investment-specific shocks in the context of the co-movement problem”

Investment-specific shocks are understood to be an important factor in business cycle fluctuations. However, in quantitative models, consumption tends to fall (and investment rises) in response to a positive investment-specific shock. This sits in contrast with empirical observations of macroeconomic variables, such as consumption and investment, which tend to move together during business cycle fluctuations. This issue, known as the ‘co-movement problem’, has been addressed in the literature with the inclusion of capacity utilisation costs, nominal frictions and monetary policy in models. However, this presentation demonstrates that it is also possible to reconcile the ‘co-movement problem’ by altering the elasticity of substation between capital and labour. Using a standard RBC model, with a normalised CES production function and benchmark parameter values, it can be shown that a sufficiently low elasticity of substitution (substantially below unity) produces a positive response for both consumption and investment on impact.

16:50-17:20 Jan-Philipp Dueber: “Endogenous Time-Varying Volatility and Emerging Market Business Cycles”

Time-varying volatility plays a crucial role in understanding business cycles in emerging market economies. However, the literature treats volatility as an exogenous process. This paper endogenizes time-varying volatility in the debt premium and total factor productivity into a standard small open economy model and assesses the quality of the model by
comparing it to emerging market data. An additional volatility channel that operates through the debt premium on the interest rate faced by a small open economy can generate countercyclical net exports and excess volatility in consumption as observed in data on emerging market business cycles.