MaGHiC PhD Workshop 2015
Tuesday 1 September 10:00-16:00
University of Kent Keynes College KS11

This PhD workshop is organized by MaGHiC and is designed for its member students. The morning session will provide a general guidance for PhD students to become a successful macroeconomist. The afternoon session consists of presentations by senior MaGHiC students in a conference format.

<Guidance for PhD students>
10:00-10:50
“How to get a PhD in macroeconomics”
• Coursework at MaGHiC
• Research at MaGHiC
• Dissertation & Viva
11:00-11:50
“Beyond PhD”
• Job market schedule for new PhDs
• Publication in macroeconomics

<Presentations>
13:00-13:30: Florian Gerth
“The Post-crisis Slump in Europe: A Business Cycle Accounting Analysis”
This paper analyses the Post-crisis slump in 28 European economies during the 2008-2014 period using the Business Cycle Accounting (BCA) method à la Chari, Kehoe and McGrattan (2007). We find that the deterioration in the efficiency wedge is the most important driver of the European Great Recession and that this adverse shock persists throughout our sample. We further investigate the potential sources of efficiency loss and find that countries that have high pre-crisis per capita GDP growth rate, high perception of business opportunities harmed by state-owned enterprises, and low post-crisis trade to GDP ratio tend to have a smaller drop in efficiency.

13:30-14:00: Joe Morell
“News Shocks and the Term Structure of Interest Rates: A New-Keynesian Analysis”
This paper revisits the bond pricing implications of the New Keynesian model permitting a role for both anticipated and unanticipated shocks in total factor
productivity. We first estimate the model on US data using Bayesian methods and subsequently employ second-order approximation routines so that, in the context of bond pricing, the joint roles of risk and uncertainty can be properly evaluated. We trace out these second order effects onto the real and nominal term structures under two scenarios: (1) an economy that features unanticipated technology shocks only, and (2) an economy that features anticipated technology shocks only. Our main findings are that (i) in response to an anticipated shock the reaction of nominal variables are largely incompatible with the empirical evidence (Kurmann and Otrok 2012), and (ii) while scenario (2) results in positive nominal term premia is still far too small relative to the data.

14:15-14:45: Isaac Sserwanja

One result of increasing inter-dependence among economies around the world is the internationalisation of financial markets. I investigate the within-market, cross-market, and cross-border transmission of shocks through U.S. and U.K. financial markets for money, bonds, equities, and the exchange rate. This investigation is especially relevant for small, open economies such as the U.K. which are most exposed to foreign-originated shocks. I focus on domestic as well as international dynamics, both direct and indirect linkages. U.S. financial markets dominate cross-border effects, explaining about 7.5% of the variation in U.K. asset markets. This is in contrast to the 0.15% of the variation in U.S. financial markets that is explained by shocks from U.K. markets. The strongest effects are in equity and money markets. The size of international spillovers increases if the indirect effect of shocks is taken into account. The 2008 global financial crisis led to a reduction in sensitivity to foreign-originated shocks, notably in bond yields. Domestic shocks, especially own idiosyncratic shocks, have the highest explanatory power, accounting for 54%-94% of the variation in asset returns.

14:45-15:15: Jonathan Hughes
“The dispersion of external balances under time-varying uncertainty”

We investigate the impact of time-varying macroeconomic volatility on the international dispersion of external balances in a multi-country general equilibrium framework. Precautionary saving behaviour plays an integral role in the generation of international capital flows. The evolution of global imbalances since the early
1980s is the main focus of the model. Real-world disparities between idiosyncratic uncertainty in developed and emerging markets are reflected in the model calibration.

15:30-16:00: Aydan Dogan
“Fluctuations of Trade Balance in an estimated two sector IRBC Model”
The relative price of investment goods have been falling in developed economies and developing countries import most of their investment goods from developed countries. In this paper, we study the dynamics of the trade balance between a developing – Mexico – and a developed – US – economy by constructing a two sector international real business cycle model with investment and consumption goods sectors. We estimate the model with Bayesian estimation techniques. We find that both temporary and permanent investment specific shock account for the most of the fluctuations in trade balance. Our results suggest that investment specific technology shocks are the major source of the trade dynamics between Mexico and the US.