New Haven, February 26, 2022

Graduate Student Workshop on Heterogeneous-Agent Macroeconomics

Dear Professors Auclert, Bardóczy, Rognlie and Straub,

I am a fourth-year PhD student in economics at the University of Mannheim and I am currently visiting Yale University. I would like to apply for the Graduate Student Workshop on Heterogeneous-Agent Macroeconomics, as this workshop seems like the perfect complement to my current and planned future research and would bring my already great year in the U.S. to a perfect ending.

My research focuses mainly on questions related to monetary policy in the presence of belief distortions. Most recently, I have started working on a project that combines insights from the behavioral literature with insights from the heterogeneous-household literature to show how these two frictions interact and affect the conduct of monetary and fiscal policy. In my view, these two areas go hand in hand and getting a better understanding of the role that heterogeneity and expectations play in shaping economies and how they respond to shocks and policies is one of the most crucial questions. But there is still a lot we do not know. Participating in this year's workshop would equip me with the tools necessary to tackle these questions in my future work.

Please find below my contact details as well as the contact details of my advisor, Prof. Klaus Adam.

Thank you for considering my application.

Yours sincerely,



Oliver Pfäuti

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Advisor: Klaus Adam
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OLIVER PFÄUTI

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EDUCATION

University of Mannheim since 2018
PhD in Economics Mannheim

Yale University 2021 - 2022
Visiting PhD Student, Sept. 2021 - June 2022 New Haven, CT

Universities of Bern and Basel 2016 - 2018
Master of Science in International and Monetary Economics Bern and Basel

University of Bern 2013 - 2016
Bachelor of Science in Economics Bern

RESEARCH FIELDS

Macroeconomics, Monetary Economics, Expectations and Information

RESEARCH

Working Papers

A Behavioral Heterogeneous Agent New Keynesian Model (2022)
with Fabian Seyrich (Link to paper)

Inflation – who cares? Monetary Policy in Times of Low Attention (2021)
Finalist for Young Economist Prize, QCGBF 2021 (Link to paper)

Falling Natural Rates, Rising Housing Volatility and the Optimal Inflation Target (2021)
with Klaus Adam & Timo Reinelt (Link to paper)

PRESENTATIONS

2022: PhD Economics Virtual Seminar · University of Mannheim · Yale University (scheduled) · 29^{th} SNDE Symposium (scheduled) · RCEA Conference on Recent Developments in Economics, Econometrics and Finance (scheduled)

2021: Yale University · QCGBF Annual Conference (presentation and poster) · 52nd Money Macro and Finance Annual Conference · University of Warwick · European Commission Annual Research Conference (poster) · European Commission · 16th End-Of-Year Conference of Swiss Economists Abroad · Annual Southern PhD Economics Conference · Warwick Economics PhD Conference · University of Mannheim · Oxford NuCamp PhD Conference (discussant)

2020: University of Mannheim · Bonn-Mannheim PhD Workshop

EXPERIENCE

Teaching

University of Mannheim 2019 - 2020
Macroeconomics B (Fall 2019)

University of Bern 2016 - 2018
Introduction to Macroeconomics (Spring 2016, 2017, 2018)
Money, Credit and Banking (Fall 2016, 2017)

Professional

Client Advisor (Working-Student) 2014 - 2015
Berner Kantonalbank BEKB|BCBE Thun, Switzerland
Banking Trainee 2011 - 2013
Berner Kantonalbank BEKB|BCBE Thun, Switzerland

SCHOLARSHIPS AND AWARDS

Doc.Mobility Scholarship 2021-2022
Swiss National Science Foundation

Finalist QCGFB Young Economist Prize 2021
Qatar Centre for Global Banking & Finance

PhD Scholarship 2020-2021
Stiftung Geld & Währung

PhD Scholarship 2018-2020
German Research Foundation (DFG)

Best Master's Degree (Third Place) 2018
Faculty of Economics and Social Sciences, University of Bern

SKILLS

Software Skills
Matlab, Stata, R, Python, Dynare, EViews, Latex, MS Office, Github

Languages
German (native), English (fluent), French (good)

COMPLETED PH.D. COURSES IN MACROECONOMICS

University of Mannheim

First-year sequence in macroeconomics:

- Advanced Macroeconomics I, II and III (Prof. Minchul Yum, Dr. Husnu Dalgic, Prof. Matthias Meier)

Second-year courses:

- Macroeconomic Shocks and Propagation: Methods and Applications (Prof. Matthias Meier)
- Learning and Expectations Formation in Macroeconomics and Finance (Prof. Klaus Adam)
- Search Theory and Labor Markets (Prof. Andreas Gulyas)

- Quantitative Macroeconomics with Heterogeneous Households (Prof. Krysztof Pytka)
- Inequality and Economic Policy (Prof. Tom Krebs)
- Several reading groups in macro and macro-lunch talks

Yale University

- Macroeconomics Beyond FIRE (Prof. George-Marios Angeletos, Prof. Zhen Huo)
- Mathematical Economics (Prof. Eduardo Davila)
- Behavioral Finance (Prof. Nicholas Barberis)
- Macro lunch, macro workshop, macro breakfast

Courses Offered by the EABCN

- Fiscal Policy: Estimating Causal Evidence and Positive Theory (Prof. Morten Ravn)
- Continuous-time Methods in Macroeconomics (with applications to heterogeneous agent models) (Prof. Jesús Fernández-Villaverde and Prof. Galo Nuño)
- The ZLB and Secular Stagnation (Prof. Gauti Eggertsson)

Research Statement: Oliver Pfäuti

Currently, I am working on three projects. The most recent paper is titled *A Behavioral Heterogeneous Agent New Keynesian Model* and is joint work with another PhD student, Fabian Seyrich. In this paper, we develop a tractable New Keynesian model with household heterogeneity and bounded rationality in the form of cognitive discounting. We show how the model captures many recent empirical findings on the transmission channels and effectiveness of monetary and fiscal policy: the importance of indirect, general equilibrium, channels for the policies' transmission to consumption, positive consumption responses to fiscal spending and realistic intertemporal marginal propensities to consume. At the same time, the model is determinate under an interest-rate peg and thus, rules out several puzzles in New Keynesian models, such as the forward guidance puzzle and instability problems at the effective lower bound.

Another paper of mine is titled *Falling Natural Rates, Rising Housing Volatility and the Optimal Inflation Target* and it is joint work with my advisor, Klaus Adam, and fellow PhD student, Timo Reinelt. We document several deviations of housing-price expectations in household surveys from the full-information rational expectations hypothesis and we show how a model of extrapolative capital-gain expectations can be reconciled with these empirical findings. Accounting for these subjective housing beliefs matters for the conduct of monetary policy as they lead to inefficiencies in the allocation of resources across sectors and thus, affect the volatility of the natural rate. We show that the observed fall in natural rates amplifies these effects and thus, exacerbates the implications of the lower-bound constraint on nominal interest rates. We then characterize the Ramsey optimal policy in this economy and find that in the presence of subjective housing beliefs, the optimal inflation target substantially increases as the level of the natural rate falls.

Finally, in a third project, I propose an approach to quantify *attention to inflation* in the data and show that the decrease in the volatility and persistence of U.S. inflation after the Great Inflation period was accompanied by a decline in the public's attention to inflation. This decline in attention weakens the effectiveness of make-up policies and negative interest rates and can lead to *inflation-attention traps*: prolonged periods of a binding lower bound and low inflation due to slowly-adjusting inflation expectations. To mitigate the drawbacks of lower attention, the Ramsey optimal policy is to increase the average inflation rate as attention declines. Accounting for the lower bound fundamentally changes the normative implications of declining attention. While lower attention raises welfare absent the lower-bound constraint, it decreases welfare when accounting for the lower bound.

To me, the combination of household heterogeneity and deviations from the full-information rational expectations framework seems to be a fruitful—and understudied—field of research going forward. Together with my co-author, Fabian Seyrich, we are already planning to introduce our behavioral framework into a medium-scale HANK model and the computational tools you developed recently looks like the natural choice to tackle these questions.