

# Flora Budianto

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School of Business and Economics  
Chair of Macroeconomics  
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## RESEARCH FIELDS

Macroeconomics, Monetary Economics, Fiscal Policy, Labor Market Economics, Consumer Behavior

## EDUCATION

- SINCE 2015      **Ph. D. student at Freie Universität Berlin**  
Supervisor: Prof. Dr. Mathias Trabandt, Freie Universität Berlin, DIW and IWH  
Expected completion: Summer 2019  
Dissertation Title: Essays in Macroeconomics
- SINCE 2012      **Research Training Group 1659 "Interdependencies in the  
Regulation of Markets" and Berlin Doctoral Program in Economics,  
and Management Science (BDPEMS)**
- 2012              **M. Sc. in Economics**  
Humboldt–Universität zu Berlin
- 2011-2012      **Visiting M. Sc. Student, University of British Columbia, Vancouver**
- 2010              **B. Sc. in Economics**  
Ludwig–Maximilians–Universität München

## INTERNSHIPS

- 6/2017 - 9/2017      **European Central Bank (ECB)**  
Summer Graduate Research Program  
Directorate General Research, Monetary Policy Research  
Tasks: Conduct research on a proposed topic of relevance to the ECB under the supervision of a senior economist and present the results in a seminar
- 6/2010 - 10/2010      **ifo Institute for Economic Research Munich**  
Department for Energy, Environment and Exhaustible Resources
- 3/2009 - 6/2009      **Intern at German Institute for Economic Research Berlin (DIW)**  
Macroeconomics Department

## RESEARCH

### [Inflation Targets and the Zero Lower Bound](#) (*Job Market Paper*)

*Abstract:* Does a higher inflation target help to reduce the risk of hitting the zero lower bound (ZLB) on nominal interest rates? A current debate evolves around the question whether central banks should pursue a higher inflation target to allow for more "room-to-manoeuvre" in deep recessions and avoid costly periods at the ZLB. Advocates of this proposal typically suggest a target level of 4%. In this paper, I show that a higher inflation target can, in fact, *increase* the incidence of the zero lower bound. The main argument here is that higher trend inflation changes the behavior of economic agents. In the standard New Keynesian model, positive trend inflation can substantially alter price-setting dynamics and become a source of higher inflation volatility. As a consequence, the scope for monetary policy can effectively *shrink* as larger nominal interest rate cuts are needed to stabilize the economy. Based on stochastic simulations of the New Keynesian model, I find that the probability of going to the ZLB increases by 2.5 percentage points if policymakers seek inflation at 4% rather than 2%.

### [Are Consumption Tax Cuts Expansionary in a Liquidity Trap?](#) (*submitted*)

*Abstract:* Do temporary value-added tax (VAT) cuts stimulate aggregate consumption? I show that the canonical New Keynesian model predicts that they are expansionary in normal times but contractionary in deep recessions (i.e. when an effective lower bound on nominal interest rates is binding). A potential issue is that standard models only account for consumption of non-durable goods. However, in countries that levy VAT, consumer durables typically represent roughly 40% of total consumption expenditures on goods and services that are subject to the VAT. I allow for consumption of durable goods in the New Keynesian model and now find that the previous results are completely overturned: temporary consumption tax cuts have large positive macroeconomic effects both in normal times and in a liquidity trap. The reason is that purchases of durable goods are highly intertemporally substitutable - consumers will stock up on storable goods when prices are currently low. But most interestingly, I observe that the boom in the durable goods sector spills over to the non-durable goods sector. The VAT cut becomes expansionary for both non-durable and durable goods consumption. The findings of this paper suggest that it is important to distinguish between different types of consumption goods to study the aggregate effects of consumption tax changes.

### [Revisiting the Comovement Puzzle](#)

*Abstract:* In standard two-sector monetary business cycle models, the Comovement Puzzle describes the observation that production and employment in different sectors move in opposite directions after an economy-wide shock. This is clearly at odds with empirical evidence. The reason for the Comovement Puzzle roots in two key assumptions in these models: Fully flexible durable good prices and free movement of resources across sectors. In this paper, I introduce wage rigidities in an otherwise standard two-sector New Keynesian model. Wage rigidities reduce the fluctuations in marginal cost of both non-durable and durable good producing firms. The latter generates a new source for price rigidities. The paper finds that a model specification with wage rigidities is able to replicate the comovement of production and employment in both sectors after a monetary contraction. From the estimated model using Bayesian techniques, it can be shown that some degree of price stickiness for durable goods and the presence of wage rigidity cannot be rejected.

**Revisiting the Forward Guidance Puzzle** (*Work in progress*), joint with Oliver Holtemöller and Mathias Trabandt

**Unconventional Fiscal Policy in Practice: Evidence from the 2013 Japanese VAT Reform** (*Work in progress*), joint with Tomohiro Sugou

## RELEVANT POSITIONS

- SINCE 2015 **Teaching and Research Assistant to Prof. Dr. Mathias Trabandt**  
Freie Universität Berlin, Chair of Macroeconomics  
Primary tasks: Teaching assistant for various courses at undergraduate and graduate level at Freie Universität Berlin, research assistance to Prof. Dr. Mathias Trabandt supervision of Bachelor and Master theses (8 Master, 1 Bachelor)
- 2014 **Econometrics Tutor to Prof. Dr. Bernd Droge**  
Humboldt–Universität zu Berlin, Chair of Econometrics
- 2012-2013 **Research Assistant to Prof. Dr. Frank Heinemann**  
Technical University Berlin, Chair of Macroeconomics
- 2010-2011 **Research Assistant to Prof. Lutz Weinke, Ph. D.**  
Humboldt–Universität zu Berlin, Institute of Economic Policy
- 2009-2010 **Macroeconomics Tutor to Prof. Dr. Gerhard Illing and Prof. Dr. Gebhard Flaig**  
Ludwig–Maximilians–Universität München, Chair of Macroeconomics
- 2008-2009 **Student Assistant at ifo Institute for Economic Research Munich**  
Press, Publications and Conferences

## COURSES AND TRAINING

- 2018 "Heterogeneous Agent Models in Continuous Time with Monetary Policy Applications", by Benjamin Moll  
"Introduction to Regime-Switching DSGE Modeling using the RISE toolbox", by Junior Maih
- 2017 "DSGE Models with Occasionally Binding Constraints", by Matteo Iacoviello  
"Advances in the Computational Methods for Models with Occasionally, Binding Constraints" by Fabio Canova, Wouter den Haan, Junior Maih and Francesca Loria

- 2015 "Heterogeneous Agent Models in Macroeconomics", by Michael Reiter
- 2014 "Financial Intermediation and Regulation", by Gyöngyi Lóránth
- 2013 "Welfare Effects of Labor Market Institutions", by Gilles Saint-Paul  
 "Quantile Regression", by Bernd Fitzenberger

## SCHOLARSHIPS

- 2017, 2018 Travel Grant from Freie Universität Berlin
- 2012-2015 Fellowship from the German Science Foundation
- 2012 Wirtschaftswissenschaftliche Gesellschaft e.V.,  
 scholarship for visiting University of British Columbia

## TEACHING EXPERIENCE

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| <b>Recent Research in Macroeconomics (graduate)</b><br>Prof. Dr. Mathias Trabandt                    | Fall 2017, Summer 2016, Fall 2017          |
| <b>Macroeconomic Analysis (graduate)</b><br>Prof. Dr. Mathias Trabandt                               | Fall 2015, Fall 2016, Fall 2017, Fall 2018 |
| <b>Monetary and Fiscal Policy (graduate)</b><br>Prof. Mathias Trabandt                               | Fall 2015, Fall 2016, Summer 2017          |
| <b>Topics in International Macroeconomics (graduate)</b><br>Prof. Martin Eichenbaum                  | Summer 2017                                |
| <b>Topics in Macroeconomics (graduate)</b><br>Prof. Lawrence Christiano                              | Summer 2017                                |
| <b>Principles of Macroeconomics II (undergraduate)</b><br>Dr. Philipp Engler, Prof. Mathias Trabandt | Summer 2016, Summer 2017                   |
| <b>Econometrics (undergraduate)</b><br>Prof. Bernd Droge   | Summer 2014                                |
| <b>Macroeconomics I (undergraduate)</b><br>Prof. Gerhard Illing, Prof. Gebhard Flaig                 | Summer 2009, Fall 2009                     |

## REFEREE

Journal of Economic Dynamics and Control  
Editor of the BDPEMS Working Paper Series (since 2015)

## SOFTWARE KNOWLEDGE

MATLAB, Stata, eViews, LaTeX, LyX, MS Office

## LANGUAGES

German (*native*), English (*fluent*), Indonesian (*intermediate*), French (*intermediate*)

## PERSONAL INFORMATION

Citizenship: German

## REFERENCES

### **Prof. Dr. Mathias Trabandt**

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Freie Universität Berlin  
Boltzmannstr. 20  
14195 Berlin, Germany  
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### **Prof. Lutz Weinke, Ph. D.**

Professor of Economic Theory  
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### **Dr. Sebastian Schmidt**

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