

KATHRYN HOLSTON

kathrynholston@g.harvard.edu

+1 717-576-2071

www.kathrynaholston.com



HARVARD UNIVERSITY

Littauer Center
1805 Cambridge St
Cambridge, MA 02138

Placement Director: Claudia Goldin
Placement Director: Lawrence F. Katz
Administrative Director: Brenda Piquet

cgoldin@harvard.edu 617-495-3934
lkatz@harvard.edu 617-495-5079
bpiquet@harvard.edu 617-495-8927

Education

Harvard University

Ph.D. in Economics, 2017 to 2024 (expected)

M.A. in Economics, 2020

University of Pittsburgh

B.S. in Economics and Mathematics, *Summa Cum Laude*, 2015

Fields

Primary fields: Macroeconomics, Monetary Economics

Secondary fields: Finance, International Economics

References

Professor Kenneth Rogoff
Harvard University
krogoff@harvard.edu

Professor Ludwig Straub
Harvard University
ludwigstraub@g.harvard.edu

President John C. Williams
Federal Reserve Bank of New York
john.c.williams@ny.frb.org

Professor Karen Dynan
Harvard University
kdynan@fas.harvard.edu

Employment

Bank for International Settlements, Senior Associate, Monetary and Economics Department, 2022
World Bank, Economist, Office of the Chief Economist, 2020-2022

Fellowships

Stone Ph.D. Scholar in Inequality and Wealth Concentration, Harvard, 2019-Present
Jain Family Institute, Guaranteed Income Initiative, 2019-2020

Research Experience

Federal Reserve Board, Research Assistant, Monetary Studies Section, 2015-2017
Federal Reserve Bank of New York, Summer Analyst, 2014
Federal Reserve Bank of Cleveland, Summer Analyst, 2013

Teaching Experience

International Financial and Macroeconomic Policy, Harvard University, 2020
Teaching fellow for Professor Kenneth Rogoff
Special Commendation for Extraordinary Teaching
The Political Economy of Globalization, Harvard University, 2019
Teaching fellow for Professor Robert Lawrence and Professor Lawrence Summers

Job Market Paper

Measuring the Natural Rate of Interest after COVID-19

with Thomas Laubach and John C. Williams

Federal Reserve Bank of New York Staff Reports, no. 1063, 2023

We estimate the natural rate of interest—the real short-term interest rate consistent with economic output equaling its natural rate and constant inflation—for the United States, the Euro Area, and Canada following the COVID-19 pandemic. To do so, we introduce time-varying volatility and add a persistent supply shock to the Holston-Laubach-Williams and Laubach-Williams models of the natural rate of interest to address the extraordinary effects of the COVID-19 pandemic on the economy. These two extensions are necessary to account for the extreme magnitude and nature of the demand and supply shocks associated with the pandemic, which violate key model assumptions. This problem is not unique to our models, and we propose a general solution that can be applied to estimate other unobserved variables after extreme shocks. Resulting estimates of the natural rate of interest in the second quarter of 2023 are close to their respective levels estimated directly before the pandemic; that is, we do not find evidence that the era of historically low estimated natural rates of interest has ended. In the context of our model, the main consequence from the pandemic period was a reduction in estimated natural rates of output.

Publications**Measuring the Natural Rate of Interest: International Trends and Determinants**

with Thomas Laubach and John C. Williams

Journal of International Economics, 2017*JIE* Bhagwati Award for Best Paper

U.S. estimates of the natural rate of interest – the real short-term interest rate that would prevail absent transitory disturbances – have declined dramatically since the start of the global financial crisis. For example, estimates using the Laubach-Williams (2003) model indicate the natural rate in the United States fell to close to zero during the crisis and has remained there into 2016.

Explanations for this decline include shifts in demographics, a slowdown in trend productivity growth, and global factors affecting real interest rates. This paper applies the Laubach-Williams methodology to the United States and three other advanced economies – Canada, the Euro Area, and the United Kingdom. We find that large declines in trend GDP growth and natural rates of interest have occurred over the past 25 years in all four economies. These country-by-country estimates are found to display a substantial amount of co-movement over time, suggesting an important role for global factors in shaping trend growth and natural rates of interest.

Papers in Progress**Uncertainty in Economic Slack in Times of Crisis**

The COVID-19 pandemic, like other large shocks, increased uncertainty around estimates of potential output. I examine whether this increase in uncertainty is higher relative to past crises and measure the effect of uncertainty about economic capacity on uncertainty about the appropriate path of monetary policy. I first consider models that infer the level of economic slack from data on inflation, interest rates, employment and other measures of economic activity and examine the sensitivity of estimated potential output to model specification. I find that estimates of economic slack are highly sensitive to model specification following the COVID-19 crisis. I then consider the sensitivity of estimates from production function approaches during times of crisis and examine periods of substantial divergence between the two approaches. I use the Federal Reserve's workhorse macroeconomic model, FRB/US, to assess how uncertainty in estimates of potential output affects monetary policy prescriptions.

Uncertainty in the Classification of Banking Crises

with Carmen Reinhart and Ken Rogoff

Banking crises can have long-lasting effects on economic growth and employment. However, uncertainty around the classification of banking crises poses challenges for quantifying their consequences. Using a new dataset with 558 candidate episodes of financial distress in 148 low-to-high income countries, spanning from 1793 through 2022, we document significant uncertainty about the timing and frequency of banking crises throughout history. We first analyze thirteen cross-country datasets of banking crises from previous studies. In over two-thirds of these episodes, leading studies disagree about the start year or end year of the crisis. In more than ten percent of these episodes, major studies disagree about whether a banking crisis occurred at all. We identify 96 additional episodes of financial distress that, to our knowledge, have not been previously included in cross-country studies. We consider the impact of this classification uncertainty on estimates of the effects of banking crises on economic activity and examine how reliance on specific criteria—bank failures, government interventions, asset price declines, and collapses in real credit growth—affects measures of crisis severity. We construct a narrative account of each episode to understand the timing of pain that banking crises inflict on economies.

Policy Contributions**World Development Report 2022: Finance for an Equitable Recovery**, World Bank

Member of core author team

Academic Service

Co-founder, Harvard Graduate Women in Economics

Mentor, Federal Reserve Board, Howard University R programming course and FedEd Program to increase financial literacy in DC schools

Software Skills

R, Python, Matlab, Dynare, Stata