

Topics in Macroeconomics VIII: International Macroeconomics

2016-2017 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Macroeconomics VIII
 - Total credits: 3 ECTS
 - Type of subject: Optative
 - Department of Economics and Business
 - Teaching team: Luca Fornaro
- Code: 32102
Workload: 75 hours
Term: 3rd

2. Teaching guide

Introduction

In this topic course we will study recent advances in the literature on international macroeconomics. Topics covered include imperfections in international capital markets, international financial crises and exchange rate policy. The focus will be mostly on theoretical models, with particular attention to their quantitative implications

To attend the course students must have taken Macro I and II

Contents

Background reading: Foundations of International Macroeconomics, 1996, by M. Obstfeld and K. Rogoff.

Lecture notes by Martin Uribe, available at [http://www.columbia.edu/mu2166/lecture notes.html](http://www.columbia.edu/mu2166/lecture%20notes.html)

1. Real Business Cycles for Open Economies

Required readings:

Martin Uribe lecture notes, Chapters 2-4

Aguiar, M. and Gopinath, G. (2007). Emerging market business cycles: The cycle is the trend. *Journal of Political Economy*, 115(1):69–102

García-Cicco, J., Pancrazi, R., and Uribe, M. (2010). Real business cycles in emerging countries? *American Economic Review*, 100(5):2510–31

Mendoza, E. (1991). Real business cycles in a small open economy. *The American Economic Review*, 81(4):797–818

Neumeyer, P. A. and Perri, F. (2005). Business cycles in emerging economies: the role of interest rates. *Journal of monetary Economics*, 52(2):345–380

2. Sudden stops and regulation of capital flows

Required readings:

Mendoza, E. G. (2010). Sudden stops, financial crises, and leverage. *The American Economic Review*, 100(5):1941–1966

Bianchi, J. (2011). Overborrowing and systemic externalities in the business cycle. *American Economic Review*, 101(7):3400–3426

Additional readings:

Benigno, G., Chen, H., Otrok, C., Rebucci, A., and Young, E. R. (2013). Financial crises and macro-prudential policies. *Journal of International Economics*, 89(2):453–470

Bianchi, J. and Mendoza, E. (2010). Overborrowing, financial crises and macro-prudential taxes. NBER Working Paper No. 16091

Bianchi, J. (2012). Efficient bailouts? NBER Working Paper

Korinek, A. Systemic risk-taking: amplification effects, externalities, and regulatory responses. Working paper

3. Exchange rate policy

Required readings:

Fornaro, L. (2015). Financial crises and exchange rate policy. *Journal of International Economics*, 95(2):202–215

Schmitt-Grohé, S. and Uribe, M. (2016). Downward nominal wage rigidity, currency pegs, and involuntary unemployment. *Journal of Political Economy*, forthcoming

Additional readings:

Céspedes, L. F., Chang, R., and Velasco, A. (2004). Balance sheets and exchange rate policy. *American Economic Review*, 94(4):1183–1193 Cook, D. (2004).

Monetary policy in emerging markets: Can liability dollarization explain contractionary devaluations? *Journal of Monetary Economics*, 51(6):1155–1181

Fahri, E. and Werning, I. (2012). Fiscal unions. NBER Working Paper No. 18280

Gertler, M., Gilchrist, S., and Natalucci, F. M. (2007). External constraints on monetary policy and the financial accelerator. *Journal of Money, Credit and Banking*, 39(2-3):295–330

Ottanello, P. (2013). Optimal exchange rate policy under collateral constraints and wage rigidity

4. Global liquidity trap and secular stagnation

Required readings:

Fornaro, L. (2013). International debt deleveraging. CREI Working Paper

Caballero, R. J., Farhi, E., and Gourinchas, P.-O. (2015). Global imbalances and currency wars at the zlb. Technical report, National Bureau of Economic Research

Additional readings:

Benigno, P. and Romei, F. (2014). Debt deleveraging and the exchange rate. *Journal of International Economics*, 93(1):1-16

Caballero, R. J., Farhi, E., and Gourinchas, P.-O. (2008). An equilibrium model of global imbalances and low interest rates. *American Economic Review*, 98(1):358-393

Eggertsson, G. B., Mehrotra, N., Singh, S., and Summers, L. H. A contagious malady? open economy dimensions of secular stagnation

5. Financial frictions and global imbalances

Required readings:

Maggiore, M. (2011). Financial intermediation, international risk sharing, and reserve currencies. Unpublished manuscript, UC Berkeley

Quadrini, V., Mendoza, E., and Rios-Rull, V. (2009). Financial integration, financial deepness and global imbalances. *Journal of Political Economy*, 117(3)

Assessment and Grading System

The evaluation is based on a term paper. The term paper needs to be related to one of the topics covered in class. For example, a term paper could consist in a critical review of the literature, or involve replicating and extending one of the papers included in the syllabus.