

# Topics in Macroeconomics VIII: International Macroeconomics

**2017-2018 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. We will start by considering some classic contribution to the literature on international capital flows. Then we will review the literature on international financial crises, and derive implications for financial regulation. We will then turn to monetary policy and discuss the benefits and costs of different exchange rate regimes. We will also review the recent literature on the global liquidity traps and stagnation.

### 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>

#### 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

Fornaro, L. (2017). International debt deleveraging. *Journal of the European Economic Association*

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

*Additional readings:*

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

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

Philippon, T. and Midrigan, V. (2011). Household leverage and the recession. NBER Working Paper

#### 4. Global liquidity trap and secular stagnation

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

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

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

#### Assessment

The evaluation is based on a term project