

Economics G6222

Advanced Macroeconomic Analysis II

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Office Hours: Mondays 4:15 to 5:15, IAB 1109.

Main Text: Martín Uribe and Stephanie Schmitt-Grohé, *Open Economy Macroeconomics*, Columbia University, book manuscript, 2016. Available online at <http://www.columbia.edu/~mu2166/book>. (Hereafter USG.)

You might also want to consult two excellent books: *Foundations of International Macroeconomics*, 1996, by M. Obstfeld and K. Rogoff, and *Open Economy Macroeconomics in Developing Countries*, 2013, by C. Végh.

Topics To Be Covered

1. News, Noise, and Uncertainty Shocks

Boz, Emine, Christian Daude, and Ceyhun Bora Durdu, “Emerging Market Business Cycles: Learning About the Trend,” *Journal of Monetary Economics* 58, January 2012, available online.

Risk Matters: The Real Effects of Volatility Shocks, “Fernández-Villaverde, Jesús; Pablo Guerrón-Quintana; Juan Rubio-Ramírez; and Martín Uribe,” *American Economic Review* 101, October 2011, 2530-2561.

2. Country Spreads, Terms of Trade, and Commodity Price Shocks

USG, chapters 6 and 7.

Neumeyer, Pablo A. and Fabrizio Perri, “Business Cycles in Emerging Markets: The Role of Interest Rates,” *Journal of Monetary Economics* 52, March 2005, 345-380.

Uribe, Martín and Z. Vivian Yue, “Country Spreads and Emerging Countries: Who Drives Whom?,” *Journal of International Economics* 69, June 2006, 6-35.

Gruss, Bertrand, and Karel Mertens, “Regime Switching Interest Rates and Fluctuations in Emerging Markets,” Cornell University, December 2010.

Fernández, Andrés and Adam Gulán, “Interest Rates, Leverage, and Business Cycles in Emerging Economies: The Role of Financial Frictions,” *American Economic Journal Macroeconomics*, forthcoming 2014.

Mendoza E.G., “The Terms of Trade, the Real Exchange Rate, and Economic Fluctuations,” *International Economic Review* 36, 1995, 101-137.

Schmitt-Grohé, Stephanie, “The International Transmission of Economic Fluctuations: Effects of U.S. Business Cycles on the Canadian Economy,” *Journal of International Economics* 44, 1998, 257-287.

Kose, M. A., “Explaining business cycles in small open economies: How much do world prices matter,” *Journal of International Economics* 56, 2002, 295-330.

3. Exchange Rates, Nominal Rigidities and Crises in Emerging Countries

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Schmitt-Grohé, Stephanie, and Martín Uribe, “Managing Currency Pegs,” Columbia University, November 2012.

Schmitt-Grohé, Stephanie, and Martín Uribe, “Downward Nominal Wage Rigidity and the Case for Temporary Inflation in the Eurozone,” *Journal of Economic Perspectives* 27, Summer 2013, 193-212.

Ottonello, Pablo, “Optimal Exchange Rate Policy Under Collateral Constraints and Wage Rigidity,” manuscript, Columbia University, October 2012.

Fornaro, L., “Financial Crises and Exchange Rate Policy,” manuscript, LSE, 2012.

Farhi, E, G. Gopinath, and O. Itskhoki, “Fiscal Devaluations,” Harvard University, 2011.

Céspedes, L., R. Chang, and A. Velasco, “Balance Sheets and Exchange Rate Policy,” *American Economic Review* 94, September 2004, 1183-1193.

Calvo, G., “Monetary policy challenges in emerging markets: Sudden stop, liability dollarization, and lender of last resort,” NBER, working paper No. 12788, 2006.

Calvo, G., “Interest rate rules, inflation stabilization, and imperfect credibility: The small open economy case,” NBER working paper No. 13177, 2007.

Cook, D., “Monetary policy in emerging markets: Can liability dollarization explain contractionary devaluations?,” *Journal of Monetary Economics* 51, 1155-1181, 2004.

Devereux, M., P. Lane, and J. Xu, “Exchange rates and monetary policy in emerging market economies,” *The Economic Journal* 116, 478-506, 2006.

Gertler, M., S. Gilchrist, and F. Natalucci, “External constraints on monetary policy and the financial accelerator,” *Journal of Money, Credit and Banking* 39, 2007, 295-330.

Calvo, Guillermo, Fabrizio Coricelli, and Pablo Ottonello, “Jobless Recoveries During Financial Crises: Is Inflation the Way Out?,” NBER working paper 19683, November 2013.

Galí, Jordi, and Tommaso Monacelli, “Monetary Policy and Exchange Rate Volatility in a Small Open Economy,” *The Review of Economic Studies*, 72, July 2005/ 707-734.

4. Overborrowing and Capital Controls

USG, chapters 9 and 10.

Uribe, Martín, “On Overborrowing,” *American Economic Review Papers and Proceedings* 96, May 2006, 417-421.

Uribe, Martín, “Individual Versus Aggregate Collateral Constraints and the Overborrowing Syndrome,” NBER working paper 12260, May 2006.

Lorenzoni, Guido, “Inefficient Credit Booms,” *Review of Economic Studies* 75, 2008, 809-833.

Mendoza, Enrique G., “Sudden Stops, Financial Crisis, and Leverage,” *American Economic Review*, 100, 1941-1966.

Bianchi, Javier, “Overborrowing and Systemic Externalities in the Business Cycle,” *American Economic Review* 101, December 2011, 3400-3426.

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Korinek, Anton, “Excessive Dollar Borrowing in Emerging Markets Balance Sheet Effects and Macroeconomic Externalities,” University of Maryland, September 2010.

Bianchi, Javier, and Enrique G. Mendoza, “Optimal Time-Consistent Macroprudential Policy,” NBER working paper No. 19704, December 2013.

Jeanne, Olivier, “Macroprudential Policies in a Global Perspective,” NBER working paper #19967, March, 2014.

Korinek, Anton and Alp Simsek, “Liquidity Trap and Excessive Leverage,” NBER working paper #19970, March, 2014.

Magud, Nicolas E., Carmen M. Reinhart, and Kenneth S. Rogoff, "Capital Controls: Myth and Reality - A Portfolio Balance Approach," NBER Working Paper 16805, February 2011.

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5. Macro Prudential Policy For Emerging Economies

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Bianchi, Javier and Enrique Mendoza, "Overborrowing, Financial Crisis, And Macro-Prudential Taxes," NBER Working Paper 16091, June 2010.

Korinek, Anton, "The New Economics of Prudential Capital Controls: A Research Agenda," *IMF Economic Review* 59, August 2011, 523-561.

Farhi, Emmanuel and Ivan Werning, "Dealing With the Trilemma: Optimal Capital Controls With Fixed Exchange Rates," manuscript, June 2012.

Farhi, Emmanuel and Ivan Werning, "Fiscal Unions," manuscript, 2012.

Fernández, Andrés, Alessandro Rebucci, and Martín Uribe, "Are Capital Controls Prudential? An Empirical Investigation," Columbia University, November 2013.

6. Lending Under Imperfect Enforcement

USG, chapter 11.

Carmen M. Reinhart and Kenneth S. Rogoff, *This time is different: eight centuries of financial folly*, Princeton University Press: Princeton, NJ, 2009.

Reinhart, Carmen M., Kenneth Rogoff, and Miguel Savastano, "Debt Intolerance," *Brookings Papers On Economic Activity* 2003(1), 2003, 1-74.

Chuhan, Punam and Federico Sturzenegger, "Defaults Episodes in the 1980s and 1990s: What have we learned?," in Aizenman, Joshua and Brian Pinto (eds.), *Managing Economic Volatility and Crises*, Cambridge University Press 2005, 471-519.

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- Park, Jung Jae, “Contagion of Sovereign Default Risk: the Role of Two Financial Frictions,” manuscript, University of Wisconsin, November 2012 .
- Durdu, Bora, Ricardo Nunes, and Horacio Sapriza, “News and sovereign default risk in small open economies,” *Journal of International Economics*, 91, September 2013/ 1-17.