

European University Institute
Department of Economics
Fall 2020 (Block I)
9:00 – 11:00, Wednesdays: 23/09 – 04/11¹

Advanced Macro

Lessons from the 21st Century crises and the new macro-finance models

Ramon Marimon²

This advanced (half-credit) course is open to everyone, from 2nd year graduates on. The course is self-contained, although familiarity with recursive methods is recommended. As the title indicates, the three crises of the 21st Century will be on the background of the course. Both, in terms of the theoretical and economic policy issues that they have unveiled, and in terms of the new developments in macro-finance that have come out, and are coming out, from them. For students taking the course for credit, the grade of the course will be based on: class participation [10%], a short assignment [25%] and an in-class presentation-deconstruction of one of the suggested papers [65%] (04/11).

Syllabus

1. Lessons from the 21st Crises: Global Financial, Euro-Debt Crisis & COVID.

Akerlof, G., O. Blanchard, D. Romer and J. Stiglitz eds. (2014), *What Have we Learned?: Macroeconomic Policy after the Crisis*, The MIT Press.

Bernanke, B. B. (2013), *The Federal Reserve and the Financial Crisis*, Princeton University Press and Oxford University Press.

Brunnermeier, M. K., H. James and J-P. Landau (2016), *The Euro and the Battle of Ideas*, Princeton University Press, Princeton and Oxford.

(*) Marimon, Ramon (2020), "[Lessons from the Great Financial Crisis in perspective](#)", in Y. Cassis and J.J. van Helten eds. *The Legacy of the Global Financial Crisis*, Bloomsbury Publishing, forthcoming.

¹ Except for October 7, there is no class.

² Course materials, updated through the course, and office hours in **Brightspace**. (*) articles should be read in advance of the lecture.

Marimon, Ramon and Thomas Cooley (2018), [*The EMU after the Euro Crisis: Lessons and Possibilities - Findings and proposals from the Horizon 2020 ADEMU project*](#) VoxEU e-Book.

Sandbu, M. (2015), *Europe's Orphan: The Future of the Euro and the Politics of Debt*, Princeton University Press, Princeton and Oxford.

(*) Sargent, T. J. (2012), "Nobel Lecture: United States Then, Europe Now", *Journal of Political Economy*, 120, 1, 1-40.

Tooze, A. (2018), *Crashed: How a Decade of Financial Crises Changed the World*, Viking, New York.

2. Linking economic and financial stability

Bernanke, B. B. (2013), *The Federal Reserve and the Financial Crisis*, Princeton University Press and Oxford University Press.

Gertler, Mark and Nobu Kiyotaki, 2011. "Financial Intermediation and Credit Policy in Business Cycle Analysis," in *Handbook of Monetary Economics*, Vol. 3A.

(*) Gertler, Mark, Nobu Kiyotaki and Andrea Prestipino, 2020. "[A Macroeconomic Model with Financial Panics.](#)" *Review of Economic Studies*, 87(1) 240-288.

Huo, Zhen and José-Victor Rios-Rull. 2016. "Financial Frictions, Asset Prices, and the Great Recession," University of Pennsylvania.

(*) Kiyotaki, Nobu and John Moore. 1997. "Credit Cycles," *Journal of Political Economy*, 105(2), 1477-1507.

Quadrini, Vincenzo, 2011. "Financial Frictions in Macroeconomic Fluctuations," *Economic Quarterly*, 97(3), 209-254.

3. The new links of monetary and fiscal policy: a new era of Central Banking

Bernanke, B. B. (2013), *The Federal Reserve and the Financial Crisis*, Princeton University Press and Oxford University Press.

(*) Bianchi, Javier and Enrique G. Mendoza, 2018. "Optimal Time-Consistent Macroprudential Policy," *Journal of Political Economy*, 126(2), 588 – 634.

Claessens, S., M. A. Kose, L. Leaven and F. Valencia (2014), *Financial Crises: Causes, Consequences, and Policy Responses*. 2014, International Monetary Fund.

Dell’Ariccia, Giovanna, Pau Rabanal and Damiano Sandri, 2018. "Unconventional Monetary Policies in the Euro Area, Japan, and the United States," *Journal of Economic Perspectives*, 32(4), 147-172.

Gertler, Mark and Peter Karadi, 2011. "A Model of Unconventional Monetary Policy," *Journal of Monetary Policy*, 58(1), 17-34.

(*) Kiyotaki, N. and J. Moore (2019), "Liquidity, Business Cycles, and Monetary Policy," *Journal of Political Economy*, 127(6) 2926 – 2966.

Mendoza, Enrique, 2016. "Macroprudential Policy: Promises and Challenges," NBER WP 22868.

Rostagno, M., C. Altavilla, G. Carboni, W. Lemke, R. Motto, A. Saint Guilhem and J. Yiangou (2019), "A Tale of Two Decades: the ECB's Monetary Policy at 20," ECB, Working Paper Series No 2346.

4. Sovereign debt as the main intertemporal link: Value, Default and Crises.

Aguiar, Manuel and Manuel Amador, 2014. "Sovereign Debt," in *Handbook of International Economics*, Vol. 4, pp. 647 - 687. North Holland.

Aguiar, Mark and Manuel Amador, 2019. ["Self-fulfilling Debt Dilution: Maturity and Multiplicity in Debt Models."](#) Princeton University.

Aguiar, Manuel and Harold Cole, 2016. "Quantitative Models of Sovereign Debt Crises," in *Handbook of Macroeconomics*, Vol. 4.

(*) Arellano, Cristina, 2008. "Default Risk and Income Fluctuations in Emerging Markets," *American Economic Review*, 98(3), 690 - 712.

Ayres, João, Gaston Navarro, Juan Pablo Nicolini and Pedro Teles, 2018. "Sovereign Default: The Role of Expectations," *Journal of Economic Theory*, 175, 803 - 812.

Calvo, Guillermo, 1988. "Servicing the Public Debt: The Role of Expectations," *American Economic Review*, 78, 647 - 661.

(*) Cochrane, John H. 2019. "The Value of Government Debt," NBER Working Paper 26090.

Cole, Harold and Timothy Kehoe, 2000. "Self-Fulfilling Debt Crises," *The Review of Economic Studies*, 67, 91 - 116.

Conesa, Juan Carlos and Timothy Kehoe, 2017. "Gambling for Redemption and Self-Fulfilling Debt Crises," *Economic Theory*, 64, 707-740.

(*) Gaballo, Gaetano, and Ramon Marimon. 2020. "Breaking the Spell with Credit-Easing: Self-Confirming Credit Crises in Competitive Search Economies," EUI.

Hall, George J. and Thomas Sargent, 2019. ["Complications for the United States from International Credit: 1913 - 1940."](#) New York University.

Sargent, Thomas J. 1999. *The Conquest of American Inflation*. Princeton University Press. Ch.7.

5. Constrained efficient mechanisms for an economic union

Dovis, Alessandro, 2019. "Efficient Sovereign Default," *Review of Economic Studies*, 86, 282-312.

(*) Ábrahám, Árpád, Eva Cárceles-Poveda, Yan Liu and Ramon Marimon, 2020. "On the Optimal Design of a Financial Stability Fund," EUI.

Ferrari, Alessandro, Ramon Marimon and Chima Simpson-Bell, (2020). "Fiscal and Currency Union with Default and Exit," EUI.

Müller, Andreas, Kjetil Storesletten and Fabrizio Zilibotti, 2019. "Sovereign Debt and Structural Reforms," *American Economic Review*, 109(12), 4220 – 4259.

Wicht, Adrien, Yan Liu and Ramon Marimon, (2020). "Making Sovereign Debt Safe with a Financial Stability Fund," EUI