

Academic Year: (2023 / 2024)

Review date: 02-08-2023

Department assigned to the subject: Economics Department

Coordinating teacher: PAPPA , PARASKEVI

Type: Electives ECTS Credits : 4.0

Year : 2 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Macroeconomics and Econometrics I, II and III of Master in Economic Analysis, Fortran y MATLAB

OBJECTIVES

Broadly put, the objective of the course is to analyze business cycle and debt dynamics in small open economies from both a theoretical and an empirical perspective. In the first module of the course, special emphasis will be given to the role of fiscal policy and climate change in small open economies. In the second module, the emphasis will be on the debt crisis in emerging markets, including sovereign debt crisis, sudden stops and exchange rate crisis.

DESCRIPTION OF CONTENTS: PROGRAMME

-----Evi Pappa -----

Part I. Business-Cycle Facts Around the World.

¿ How business cycles compare across countries?

Part II. Simple Small Open Economy (SOE) Models.

¿ An Open Endowment Economy

¿ An Open Economy with Capital

Part III. The Open Economy Real Business Cycle Model.

¿ The building blocks of the model

¿ Model and data predictions

Part IV. The role of productivity and financial shocks.

¿ How important are productivity shocks for business cycles

¿ Financial frictions or productivity shocks?

Part V. External shocks as a source of business cycle variations.

¿ Interest rate shocks

¿ Terms of Trade shocks

Part VI. Extensions of the SOE Model.

¿ Fiscal Policy in the SOE

¿ Green Transition

-----Emircan Yurdagul-----

Part VII. Building blocks of sovereign default literature.

¿ Big picture, motivating facts

The seminal paper: Eaton and Gersovitz (1981)

¿ Recent benchmarks: Arellano (2008), Aguiar and Gopinath (2006)

Part VIII. Sovereign bonds with long maturity.

¿ Exogenous maturity: Hatchondo and Martinez (2009), Chatterjee and Eyigungor (2012)

¿ Endogenous maturity: Aguiar, Amador, Hopenhayn, and Werning (2019), Sanchez, Sapriza, and Yurdagul (2018)

Part IX. Debt restructurings.

¿ Empirical facts: Cruces and Trebesch (2013)

¿ Modeling endogenous restructuring: Dvorkin, Snchez, Sapriza, and Yurdagul (2021)

Part X. Interaction with other assets and agents.

¿ Risk averse international lenders: Lizarazo (2013)

¿ Domestic lending through a banking sector: Sosa-Padilla (2018)

¿ Sovereign and private default risk: Kaas, Mellert, and Scholl (2020)

¿ Sovereign default and reserves: Bianchi, Hatchondo, and Martinez (2018)

¿ Sovereign default and capital accumulation: Seoane and Yurdagul (2022)

Part XI. Sudden stops.

¿ Self-fulfilling crises: Cole and Kehoe (2000), Bocola and Dovis (2016)

¿ Models with occasionally binding constraints: Bianchi (2011), Seoane and Yurdagul (2019)

Part XII. Numerical analysis (covered simultaneously with the rest of the syllabus).

¿ Smart discrete search: Gordon and Qiu (2015)

¿ Solving Arellano (2008)

¿ Dynamic discrete search techniques applied to sovereign default models: Dvorkin, Snchez, Saprizza, and Yurdagul (2021).

LEARNING ACTIVITIES AND METHODOLOGY

-We will have lectures every week presenting the state-of-the-art research on Applied Macroeconomics.

-Students will solve a theory homework to test the basics of the theories reviewed.

-Students will solve other two homeworks where they have to build and simulate algorithms to test qualitatively the theories reviewed.

ASSESSMENT SYSTEM

Each module will have equal weight in the course grade. The subdivision within each module will be as follows:

¿ Homework (15%).

¿ Referee report assignment (5%)

¿ Exam (30%).

% end-of-term-examination:	40
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% of continuous assessment (assignments, laboratory, practicals...):	60
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BASIC BIBLIOGRAPHY

- Fabio Canova Methods for Applied Macroeconomic Research, Princeton, 2007

- Schmitt-Grohe, S. and Uribe, M. Open Economy Macroeconomics, Princeton University Press, 2017