

Topics in International Macroeconomics and Monetary Economics

September 16-19, 2019

Gianluca Benigno (London School of Economics)

Capital flows and Capital Controls: a survey of the recent literature (Lecture 1)

Objectives: Review of the recent literature that has rationalized capital controls.

*Obstfeld and Rogoff (1996) “Foundations of International Macroeconomics” Chapter 1, pages 42-45.

*Schmitt-Grohe, Stephanie and Martin Uribe (2016) “[Downward Nominal Wage Rigidity, Currency Pegs, and Involuntary Unemployment](#),” *Journal of Political Economy* 124:1466-1514.

*E. Fahri and I. Werning (2012) “Dealing with the trilemma: Optimal Capital Controls with Fixed Exchange Rates” NBER working paper 18199.

*H. Rey (2015) “Dilemma not Trilemma: the Global Financial Cycle and Monetary Policy Independence” NBER working paper 21162.

De Paoli, B. and A. Lipinska (2012) “Capital Controls: a normative analysis” mimeo Federal Reserve Bank of New York.

Financial Crisis: capital controls and exchange rate policies. (Lecture 2)

Objectives: Focus on the policy implications of the Neo-Fisherian framework for the analysis of Sudden Stop (Mendoza, 2010). Introduction on the interaction between monetary and macro-prudential policies

*Mendoza, E. (2010) “Sudden Stops, Financial Crisis and Leverage,” *American Economic Review*, Vol. 100, pp. 1941-1966.

*Benigno, G., H. Chen, C. Otrok, A. Rebucci and E. Young (2012) “Financial Crisis and Macro-Prudential Policies,” *Journal of International Economics*, Volume 89, Issue 2, March 2013, Pages 453-470.

*Bianchi, J. (2011) “Overborrowing and Systemic Externalities,” *American Economic Review*, Vol. 101, pp. 3400-3426.

*Benigno, G., H. Chen, C. Otrok, A. Rebucci and E. Young (2016) “[Optimal capital controls and real exchange rate policies: A pecuniary externality perspective](#),” *Journal of Monetary Economics*, vol. 84(C), pages 147-165.

*Bianchi, J. and E. Mendoza, (2018) “Optimal Time-Consistent Macroprudential Policy,” *Journal of Political Economy* 126, no. 2: 588-634.

Optimal Monetary policy for small open economies in the New Keynesian Framework (Lecture 3)

Objective: focus will be on the principles of optimal monetary policy in the context of the New-Keynesian open economy model. Focus on small open economy and determination of optimal policy under alternative asset market structure).

*Benigno, G. and P. Benigno (2008) “Price Stability in Open Economy,” *Review of Economic Studies*

*De Paoli, B. (2009) "Monetary Policy and Welfare in a Small Open Economy," *Journal of International Economics*, Vol. 77, pp. 11-22.

De Paoli, B. (2009) “Monetary Policy in a Small Open Economy: the Role of the Asset Market Structure,” *Journal of Money, Credit and Banking*, Vol. 41, pp. 1301-1330.

Liquidity Trap and Debt and Deleveraging (Lecture 4)

*Eggertsson, G. and P. Krugman (2012) “Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo Approach” *The Quarterly Journal of Economics*, Volume 127, Issue 3, August 2012, Pages 1469–1513.

*P. Krugman (2000) “Thinking about the Liquidity Trap”, *Journal of the Japanese and International Economics*, Volume 14, Issue 4, Pages 221-237.

*P. Benigno and F. Romei (2014) “Debt Deleveraging and the Exchange Rate”, *Journal of International Economics*, Volume 93, Issue 1, May 2014, Pages 1-16.

The Secular Stagnation Debate (Lecture 5)

*Summers, L. (2015) “Rethinking Secular Stagnation after Seventeen Months” (http://larrysummers.com/wp-content/uploads/2015/07/IMF_Rethinking-Macro_Down-in-the-Trenches-April-20151.pdf)

*Eggertsson, Gauti, N. Mehrotra, and J. Robbins, (2019) “A Model of Secular Stagnation: Theory and Quantitative Evaluation” *American Economic Journal: Macroeconomics*, 11 (1): 1-48.

*Benigno G. and L. Fornaro (2018) “Stagnation Traps”, *Review of Economics Studies*, Volume 85, Issue 3, July 2018, Pages 1425–1470.

*Eggertsson G., N. Mehrotra, S. Singh, L. Summers (2016) “A Contagious Malady? Open Economy Dimensions of Secular Stagnation”, *IMF economic review*, Vol. 64, Issue 4, pp.581-634.