Euro Area Business Cycle Network Training School

Monetary Policy in Open Economies

By
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Banca d’Italia
Rome

21 – 23 November 2012
Deadline: 14 September 2012

General Description

We are pleased to announce details of the latest EABCN Training School; a three-day course entitled “Monetary Policy in Open Economies”. Gianluca Benigno will teach the course. It is primarily aimed at participants in the Euro Area Business Cycle Network but applications will also be considered from doctoral students, post-doctoral researchers and economists working in central banks and government institutions outside of the network, as well as commercial organisations (fees are applicable for non-network organisations).

Course Detail

This course aims to introduce students to the state-of-the-art modeling in an open economy for the study of monetary and fiscal policy questions. The course will begin by introducing a simple version of the standard New Keynesian open economy that has been popular in recent years in various policy-making institutions. The aim is to familiarise the participant with the core open-economy model, its limitations and its policy implications. Indeed, in the second and third parts of the course we will develop models in which the role of international credit market frictions is central and financial crises occur because private agents cannot access credit markets. These models have been originally developed for the understanding of ‘sudden stops’ episodes, i.e. episodes in which access to international financial markets is curtailed and countries experience sharp capital flows reversal. The aim is to study a simple neo-Fisherian model of debt-deflation and then analyse its policy implications in terms of capital controls and exchange rate management. From a methodological point of view this model will also require the use of global solution techniques since in this class of models the role of non-linearities is crucial. The final part of the course will examine the link between capital flows, financial crises and, in the long run, how reserve accumulation policy and capital controls can be used to address externalities that arise in the real sector of the economy.

During the course we will focus on modeling and the economic intuition behind its functioning. Some basic familiarity with DSGE models and Matlab will be useful.
The following programme outlines the structure of the course:

Wednesday 21 November:

Exchange Rate Determination and Monetary Policy in Open Economy

Objectives: to introduce participants to the New-Keynesian open economy model. The focus will be on small open economies and the determination of optimal policy under alternative asset market structures).

Computer class: to conduct policy experiments in the context of the New-Keynesian small open economy.

Thursday 22 November

Financial Crises: capital controls and exchange rate policies

Objectives: to introduce the participants to the Neo-Fisherian framework for the analysis of 'sudden stop' episodes. Analysis of optimal policy in terms of capital control and exchange rate policy.

Computer class: to conduct policy experiments in the context of the Neo-Fisherian framework (ie, a small open economy with endogenous credit constraints).

Friday 23 November

Reserve Accumulation and Growth

Objectives: to understand the logic of reserve accumulation in a context of a new-growth framework with credit frictions.

Computer class: to conduct policy experiments in the context of a stochastic model with endogenous growth and credit frictions.

Administrative Information:

The course will take place in Rome at Banca d'Italia and participants will be invited to make their own arrangements regarding their accommodation and meals. Further information will be available to successful applicants. Candidates should RSVP to CEPR's Events Assistant, Craig Rooney (crooney@cepr.org), with details of your Name, Name and Address of Institution, Email Address, and Telephone and Fax Number, by 14 September, 2012. We ask that you send a current version of your CV with your application. EABCN gratefully thanks the generous assistance from Banca d'Italia.

About the Instructor:

Giancluca Benigno has been an Associate Professor at the London School of Economics since 2007. His main research interests are macroeconomics, international economics and monetary policy. He obtained his PhD. from the University of California at Berkeley. He has been an economist of the Bank of England and the Federal Reserve Bank of New York. He is a Research Affiliate of CEPR.