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BMSS 2006 can be obtained
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CENTRE DE RECERCA
EN ECONOMIA INTERNACIONAL
GENERALITAT DE CATALUNYA
UNIVERSITAT POMPEU FABRA

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Barcelona MACROECONOMICS Summer School



CENTRE DE RECERCA
EN ECONOMIA INTERNACIONAL
GENERALITAT DE CATALUNYA
UNIVERSITAT POMPEU FABRA



INTRODUCTION

The eighth edition of CREI's Barcelona Macroeconomics Summer School (BMSS 2006) will be held on the main campus of Universitat Pompeu Fabra (UPF) in Barcelona during the period June 26-July 21, 2006. BMSS 2006 will offer a variety of courses taught by recognized experts in their fields. The courses will cover recent developments in different areas of macroeconomics, including growth, international finance, monetary and fiscal policy, macroeconometrics, financial markets, and economic geography. The courses are aimed at graduate students specializing in macroeconomics, as well as faculty members or researchers willing to brush up their knowledge of the field and expose themselves to the latest advances in academic research. During the courses, the BMSS faculty will be available to participants for discussion of research ideas and projects.

BMSS 2006 will take place at UPF's main campus, located in downtown Barcelona, at walking distance to the beach. In addition to the intellectual excitement, summer school participants are guaranteed to find in Barcelona cultural, music and sports events that suit every taste and pocket.

BMSS 2006 is organized by the *Center for Research in International Economics* (CREI), a research institute sponsored by the Generalitat de Catalunya and Universitat Pompeu Fabra, in fulfillment of its aim to promote the creation and dissemination of research in macroeconomics and related areas. Further information about CREI can be found at <http://www.crei.cat>

We look forward to meeting you in our Summer School!

COURSES

June 26-30

Modern Perspectives on Monetary Policy (I): Basic Models and Theory

Instructor: Jordi Galí

This part of the course will provide an introduction to the baseline New Keynesian model, including an analysis of its implications for the optimal design of monetary policy, the evaluation of simple rules, and its predictions regarding the dynamics of inflation.

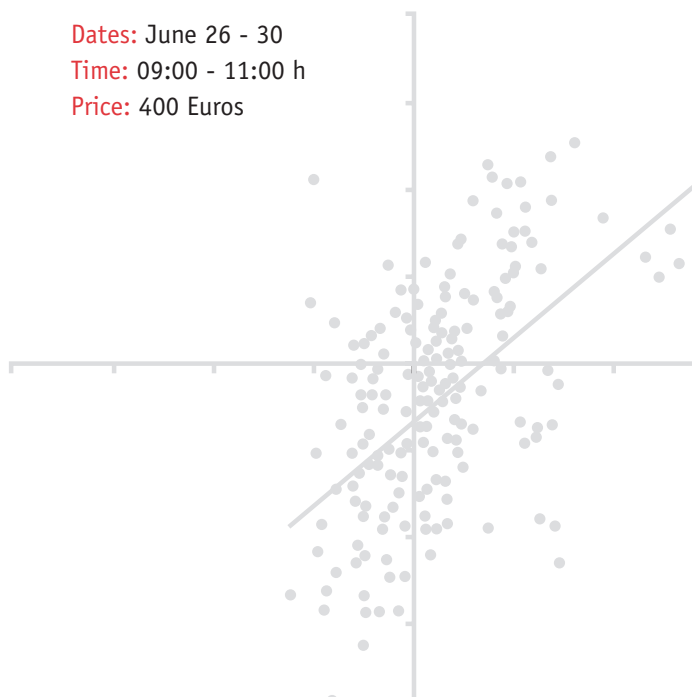
Selected Topics:

- A simple framework for monetary policy analysis
- Optimal monetary policy
- Simple monetary policy rules
- Inflation dynamics

Dates: June 26 - 30

Time: 09:00 - 11:00 h

Price: 400 Euros



Economic Growth and Development I

Instructor: Xavier Sala-i-Martin

Selected Topics:

- The world distribution of income
- Growth, poverty and inequality: the role of globalization
- Neoclassical growth theory: the power of diminishing returns
- The role of incentives
- Government, taxation, the Welfare State and growth
- Ideas and growth: R&D, patents. AIDS, malaria and generics
- The effectiveness of International Aid in promoting economic development
- The tragedy of Africa: diagnostics and setting priorities.

Dates: June 26 - 30

Time: 11:30 - 13:30 h

Price: 400 Euros

Credibility and Learning with Applications to Economic Policy: Why Should Macroeconomists Learn Learning?

Instructor: Ramon Marimon

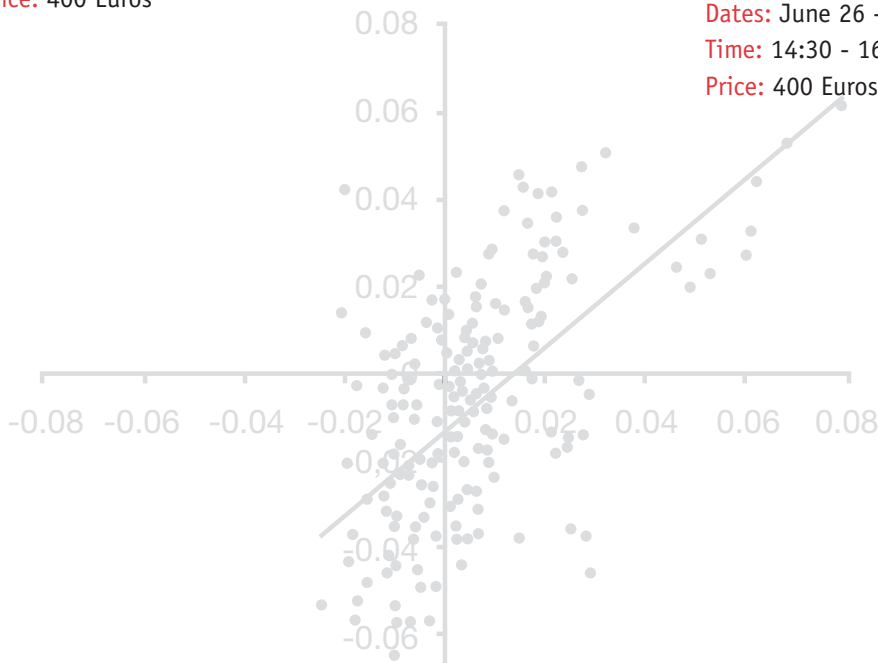
Selected Topics:

- Rational expectations revisited. Why do we want to study learning in macroeconomics?
- From perceptions to realizations in economic theory and practice
- Beliefs, credibility and learning
- Evidence on macro expectations and how learning can help to better explain data
- The policy maker as a modeler: miss specified policies and self-confirming equilibrium
- The design of economic policies and institutions: the role of credibility and learning

Dates: June 26 - 30

Time: 14:30 - 16:30 h

Price: 400 Euros



July 3-7

Modern Perspectives on Monetary Policy (II): Advanced Topics

Instructor: Jordi Galí

This part of the course will take for granted the student's familiarity with the New Keynesian model, and will focus on several recent extensions of that framework, including labor market imperfections and open economy considerations.

Selected Topics:

- Sticky nominal wages
- Real wage rigidities and other labor market frictions
- Monetary policy design for the small open economy
- Optimal fiscal and monetary policy in a currency union

Dates: July 3 - 7

Time: 09:00 - 11:00 h

Price: 400 Euros

Economic Growth and Development II

Instructor: Antonio Ciccone

Selected Topics:

- Finance and economic growth
- Institutions, geography, and trade as deep determinants of economic development
- Human capital, comparative advantage, and technological catch up
- Learning about growth from growth regressions
- Are there externalities to human capital accumulation?

Dates: July 3 - 7

Time: 11:30 - 13:30 h

Price: 400 Euros



Fiscal Policy in General Equilibrium Models of the Business Cycle

Instructor: Albert Marcet

A large amount of research on optimal dynamic policy is recently being developed, both in basic research and in research by governing institutions. The object of the course is to analyze the best policy that the government can implement, given how the market reacts to each policy, and given various institutional constraints, such as partial or full commitment, participation constraints, default or political equilibrium. We will discuss the methodology to study optimal policy, focusing on fiscal policy applications, and we will review some relevant papers in this literature along the way.

Selected Topics:

- Fiscal policy analysis in dynamic models
- Sustainability of debt
- Effects of constraints on fiscal policy (debt limits, balanced budgets ...)
- Debt management
- Stabilization policies
- Interaction with monetary policy
- Commitment versus discretion

Dates: July 3 - 7

Time: 14:30 - 16:30 h

Price: 400 Euros

Methods for Estimation of DSGE Models

Instructor: Fabio Canova

Selected Topics:

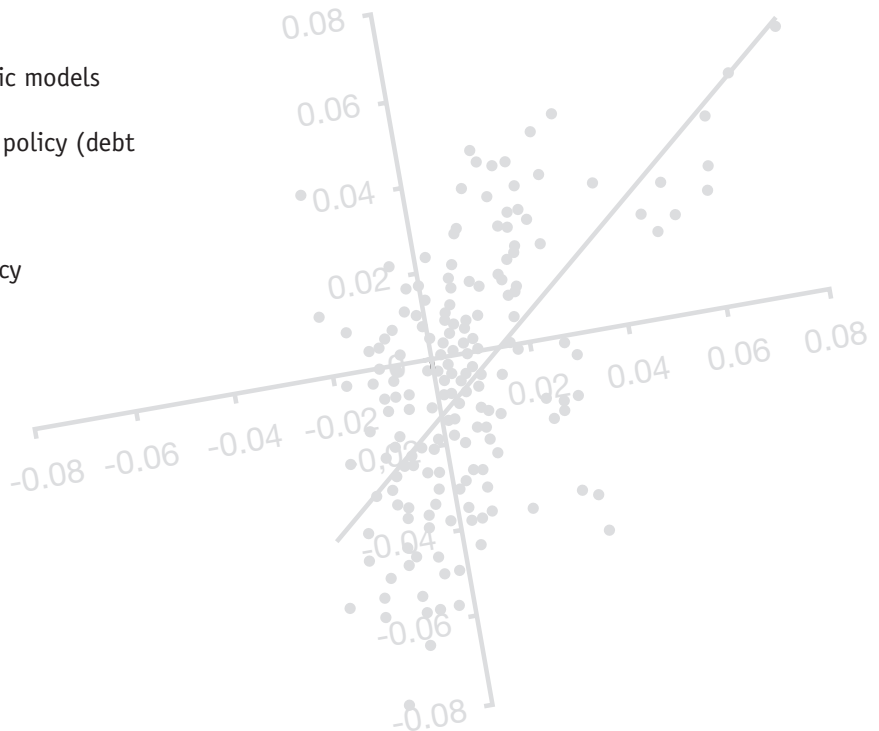
- GMM and SMM
- Indirect inference
- Maximum likelihood
- Bayesian methods

Dates: July 3 - 7

Time: Lectures: 17:00 -19:00 (10 hours)

Practice Lab: 19:00 - 20:00 h (5 hours)

Price: 650 Euros



July 10-14

Globalization and Financial Markets (I): Sovereign Risk

Instructor: Jaume Ventura

This course examines the effects of globalization on the workings of financial markets, focusing both on theoretical results and policy implications. The first part of the course focuses on the problems associated with sovereign risk, while the second part studies the sources and effects of asset bubbles. Both parts are self-contained and students can either enroll for the entire course or for only one part.

Selected Topics:

- Sovereign risk, default and restructuring
- What is the role of secondary markets for debt?
- Application: how to structure the sovereign debt market

Dates: July 10 - 14

Time: 09:00 - 11:00 h

Price: 400 Euros

Cities and Economic Geography (I): Theory

Instructor: Diego Puga

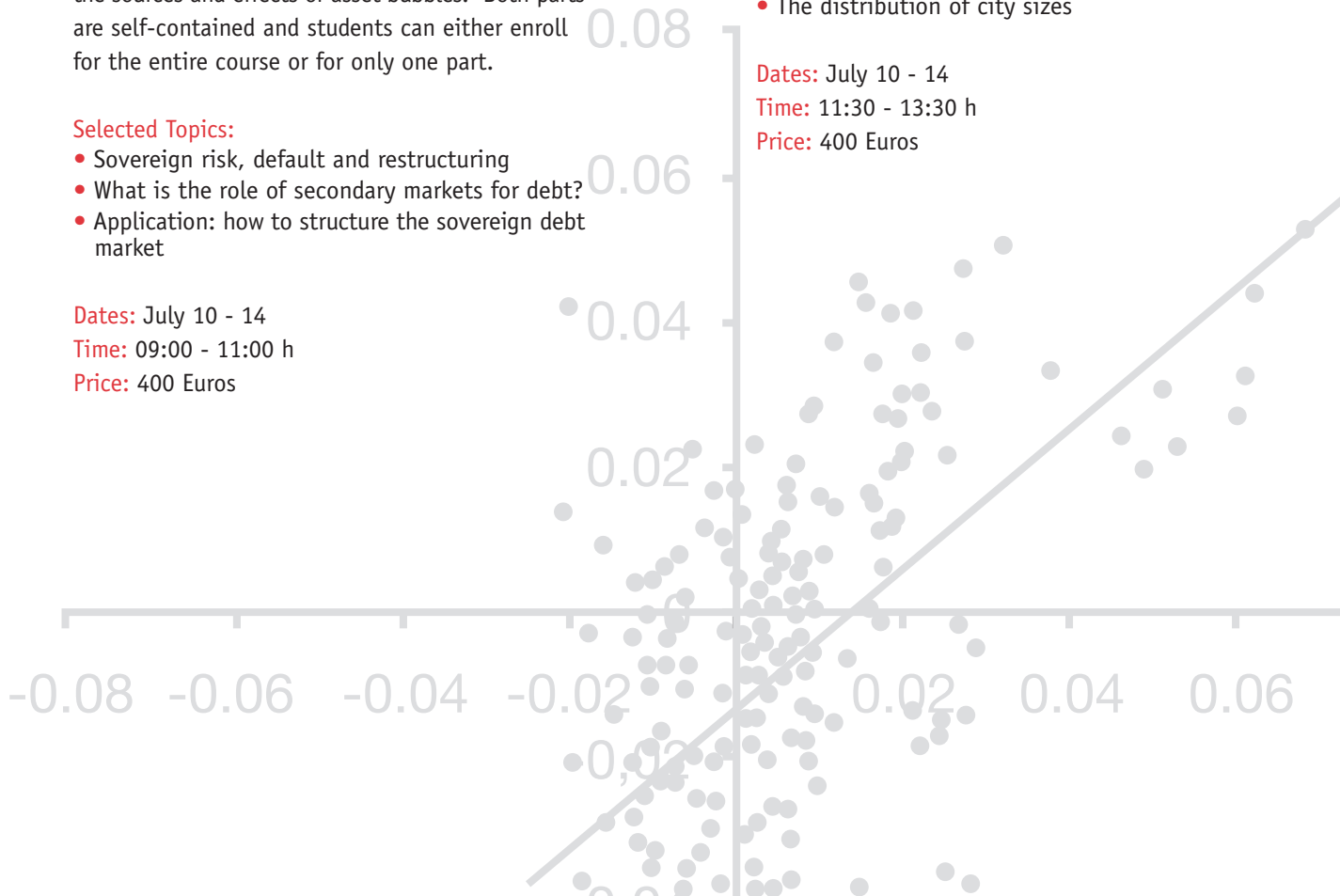
Selected Topics:

- Economic integration and the location of economic activity
- The formation of cities: developers and self-organization
- The motives for agglomeration: what generates aggregate increasing returns?
- Specialization and diversification in cities
- The distribution of city sizes

Dates: July 10 - 14

Time: 11:30 - 13:30 h

Price: 400 Euros



Financial Crises, Bubbles and Crashes

Instructor: Hans-Joachim Voth

This course presents an overview of different types of financial crises - banking crises, currency crises, twin crises - as well as bubbles and crashes in financial markets. It analyses when these types of shocks occur and traces their causes, using a combination of financial theory, results from macroeconomics, economic history, and the theory of international finance.

Selected Topics:

- Have financial crisis become more frequent or more severe in the last century? If so, why?
- Is there a need for an international lender of last resort?
- What do we learn from the recent Argentine and Brazilian crises about designing a better "international financial architecture"?
- Noise traders, sophisticated investors, and the origins of bubbles
- How and when should central banks intervene to stop asset price bubbles?
- Contagion and its measurement

Dates: July 10 - 14

Time: 14:30 - 16:30 h

Price: 400 Euros

July 17-21

Globalization and Financial Markets (II): Asset Bubbles

Instructor: Jaume Ventura

Selected Topics:

- Asset bubbles, investment and productivity growth
- Should governments attempt to manage asset bubbles?
- Application: the US current account deficit, sustainability and adjustment

Dates: July 17 - 21

Time: 09:00 - 11:00 h

Price: 400 Euros

Cities and Economic Geography (II): Evidence

Instructor: Diego Puga

Selected Topics:

- The empirics of agglomeration and trade
- Sprawl and urban growth: causes and consequences
- Evidence on the motives for agglomeration
- The consequences of urban specialization and diversification
- Human capital externalities in cities

Dates: July 17 - 21

Time: 11:30 - 13:30 h

Price: 400 Euros

BIOGRAPHICAL SKETCHES

Fabio Canova earned his Ph.D. in Economics at the University of Minnesota in 1989. He has been an Assistant Professor at Brown University and Rochester, an Associate Professor at Brown University and the European University Institute, a Professor at the University of Catania, University of Modena, and Universitat Pompeu Fabra and a Research Professor with IGIER. He is currently research professor with ICREA. He has also been part-time professor at the University of Southampton and the London Business School.



Besides the above places, he has taught courses at various summer schools, CIDE, National Bank of Hungary, Ministry of Finance of Indonesia, IMF, University of Naples, Central European University, Universidad Di Tella, Bank of Italy, ECB, Bank of England, University of Porto, of Geneva and Sorbonne, UK Treasury and UK Foreign Office, EABCN, Riksbank, Swiss National Bank, Banco de Argentina and Gerzensee among other places and he has been a consultant with the Bank of England, the IMF, the ECB, Bank of Spain and the Bank of Italy.

He is a Research Fellow at the CEPR, a Research Associate at CREI, a Member of the CEPR Dating Committee, a Member of the Advisory Board of Dynare, the Founder of the Applied Macroeconomic Network (AMeN). His research interests include quantitative macroeconomics, monetary theory, international business cycles and macroeconometrics.

Selected publications:

- "Similarities and convergence in G7 Cycles", forthcoming, *Journal of Monetary Economics* (with M. Ciccarelli and E. Ortega).
- "Price Dispersion in Monetary Union: the role of Fiscal shocks", forthcoming *Economic Journal* (with E. Pappa).
- "Testing for Convergence Clubs: A Predictive Density Approach", *International Economic Review*, 2004.
- "Forecasting and Turning Point Predictions in a Bayesian Panel VAR model" (with M. Ciccarelli), *Journal of Econometric*, 2004.
- "Monetary Disturbances Matter for Business Fluctuations in the G-7" (with G. De Nicolò), *Journal of Monetary Economics*, 2002.

Antonio Ciccone is ICREA Research Professor at Universitat Pompeu Fabra. He earned a MSc in Econometrics and Mathematical Economics at the London School of Economics in 1990 and a PhD in Economics at Stanford University in 1994. He is a CEPR Fellow, editor of *Regional Science and Urban Economics*, and member of the editorial board of the *Review of Economic Studies*. His teaching focuses on advanced macroeconomics. He has taught at Berkeley, Stanford, the London Business School, as well as the European Commission and the European Central Bank. His research interests are in macroeconomics, development economics, and regional economics.



Selected publications:

- "Identifying Human Capital Externalities: Theory and Applications" (with G. Peri), *Review of Economic Studies*, forthcoming.
- "Trade and Productivity" (with F. Alcalá) *Quarterly Journal of Economics*, May 2004.
- "Individual-Specific Uncertainty and Status-Quo Bias: Comment," *American Economic Review*, July 2004.

Jordi Gali earned his Ph.D. in Economics at the Massachusetts Institute of Technology in 1989. He has held academic positions at New York University and Columbia University. He is director and Senior Researcher at CREI and a Professor at Universitat Pompeu Fabra. He is currently a Visiting Professor at MIT. He is a Research Fellow of CEPR, a Research Associate of the NBER, and a consultant to the European Central Bank and the Bank of Spain. He is also the co-editor of the *Journal of the European Economic Association* (JEEA). In 2005 he was awarded the Yrjö Jahnsson Prize in Economics. His research interests include macroeconomic theory, monetary economics, and macroeconometrics.



Selected publications:

- "Monetary Policy and Exchange Rate Volatility in a Small Open Economy," (with T. Monacelli), *Review of Economic Studies*, 2005.
- "Technology Shocks and Aggregate Fluctuations: How Well Does the Real Business Cycle Model Explain Postwar U.S. Data?," (with P. Rabanal), *NBER Macroeconomics Annual*, 2005.
- "Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory", (with R. Clarida and M. Gertler), *Quarterly Journal of Economics*, January 2000.
- "Inflation Dynamics: A Structural Econometric Analysis" (with M. Gertler), *Journal of Monetary Economics*, 1999.
- "The Science of Monetary Policy: A New Keynesian Perspective," (with R. Clarida and M. Gertler), *Journal of Economic Literature*, December 1999.

Albert Marcet graduated in Economics at the Universitat Autònoma de Barcelona (1982) and earned his Ph.D. in Economics at the University of Minnesota (1987). He is Professor d'Investigació at the Institut d'Anàlisi Econòmica, Barcelona. He has also been Professor at Universitat Pompeu Fabra (1990-2003) and Carnegie-Mellon University, Pittsburgh (1986-1992) and has been a visitor at the ECB, London Business School, CEMFI (Madrid), the Federal Reserve Bank of Minneapolis and the Universitat Autònoma of Barcelona. His main areas of research are macroeconomics, fiscal policy, solution methods of dynamic models, financial economics and learning models.

Selected publications:

- "Recurrent Hyperinflations and Learning" (with J. P. Nicolini), *American Economic Review*, December 2003.
- "Optimal Taxation without State-Contingent Debt" (with R. Aiyagari, T. J. Sargent and J. Seppala) *Journal of Political Economy*, December 2002.
- "Equilibrium Asset Prices and Savings in a Model with Heterogeneous Agents, Incomplete Markets and Liquidity Constraints", (with K. Singleton), *Macroeconomic Dynamics*, June 1999.



Ramon Marimon earned his Ph.D. in Economics at Northwestern University 1984. Full professor at the Universitat Pompeu Fabra (since 1990) and at the European University Institute (1994-2000) was previously assistant and associate professor at the University of Minnesota and has been visiting professor at Stanford University, Cambridge University, the Federal Reserve Bank of Minneapolis, the International Monetary Fund and the Santa Fe Institute, among other places.



Co-founder of UPF as Dean and Chair of Economics and Business, founder of the Centre de Recerca en Economia Internacional, Secretary of State for Science and Technology in the Spanish Ministry of Science and Technology (2000-2002). Research fellow of the NBER (since 1992) and of the CEPR (since 1993) has been co-editor of the *Review of Economic Dynamics*, Fellow of the European Economic Association and of the Spanish Economic Association; director of the Centre de Referencia d'Economia Analítica (CREA) and the Max Weber Postdoctoral Programme, EUI.

His research interests include macroeconomics, monetary theory, labor theory, political economy, contract theory, learning theory, and science and innovation policy.

Selected publications:

- "Aggregate Consequences of Limited Contract Enforceability" (with T. Cooley and V. Quadrini), *Journal of Political Economy*, 2004.
- "Strategic Delegation in Monetary Unions" (with V.V. Chari and L. Jones), *The Manchester School*, 2004.
- "Inside-Outside Money Competition" (with J.P. Nicolini and P. Teles), *Journal of Monetary Economics*, 2003.
- "Convergence of Monetary Inflation Models with Heterogeneous Learning Rules," (with G. Evans and S. Honkapohja), *Macroeconomic Dynamics*, 2001.
- "Employment and Distributional Effects of Restricting Working Time" (with F. Zilibotti), *European Economic Review*, 2000.

Diego Puga earned his PhD in Economics at the London School in Economics in 1997. Currently, he is Professor of Economics at Universitat Pompeu Fabra and a Research Associate at CREI. Previously, he was Assistant Professor and tenured Associate Professor at the University of Toronto. In addition to Universitat Pompeu Fabra and the University of Toronto, he has taught courses at the London School of Economics, Northwestern University, and the Norwegian School of Economics and Business Administration.



He is editor of the *Journal of Economic Geography*, a member of the editorial board of the *Journal of the European Economic Association* the *Journal of Regional Science*, and *Moneda y Crédito* and a Research Fellow of the CEPR, the NBER and the CIAR.

His research interests include urban and regional economics, international trade, and the economics of innovation.

Selected publications:

- "Causes of sprawl: A portrait from space" (with M. Burchfield, H. G. Overman and M. A. Turner), *Quarterly Journal of Economics*, forthcoming May 2006.
- "Nursery Cities: Urban diversity, process innovation, and the life cycle of products" (with G. Duranton), *American Economic Review*, December 2001.
- "Agglomeration and economic development: Import substitution vs. trade liberalization" (with A. J. Venables), *Economic Journal*, April 1999.
- "The rise and fall of regional inequalities", *European Economic Review*, February 1999.

Xavier Sala-i-Martin



earned his Ph.D. in Economics at Harvard in 1990. Currently he is Professor in the Department of Economics at Columbia University, and a Visiting Professor at UPF. He has been an Associate Professor at the Department of Economics at Yale University and Visiting Professor at Harvard University. He has also taught at Universitat Pompeu Fabra, Harvard University, New York University, Yale University and the International Monetary Fund, among other places. He is the President of the Economic Commission of Futbol Club Barcelona and senior economic adviser to the World Economic

Forum. He is also a Research Associate at the NBER and has been consultant for the World Bank and the International Monetary Fund.

His research interests include economic growth, macroeconomics, public finance and social security, health and population economics, and monetary economics.

Selected publications:

- "The World Distribution of Income: Falling Inequality and Convergence, Period", *Quarterly Journal of Economics*, forthcoming May 2006.
- "Determinants of Long-Term Growth: A Bayesian Average of Classical Estimates (BACE) Approach" (with G. Doppelhoffer and R. Miller), *American Economic Review*, September 2004.
- "The Economic Tragedy of the XXth Century: Growth in Africa" (with E.V. Artadi), in *African Competitiveness Report of the World Economic Forum*, September 2003.
- *Economic Growth*, 2nd Edition MIT Press, Cambridge, MA. 2003 (with R. Barro).
- "Health Investment Complementarities under Competing Risks," (with W. Dow and T. Philipson), *American Economic Review*, December 1999.

Jaume Ventura



earned his Ph.D. in Economics at Harvard University in 1995. Currently he is a Senior Researcher at CREI. Previously, he has held academic positions at MIT and the University of Chicago. He is co-director of the International Macroeconomics Programme of the CEPR and editor of *The Economic Journal*. He is also a Faculty Research Fellow at the NBER, and has served as a consultant to the World Bank and the Inter-American Development Bank.

His research interests include international economics and macroeconomics.

Selected publications:

- "Country Portfolios" (with A. Kraay, N. Loayza and L. Servén) *Journal of the European and Economic Association*, June 2005.
- "Current Accounts in the Long and Short Run" (with A. Kraay) *NBER Macroeconomics Annual 2002*, July 2003.
- "Trade Integration and Risk Sharing" (with A. Kraay), *European Economic Review*, June 2002.
- "A Portfolio View of the Current Account Deficit", *Brookings Papers*, July 2001.
- "Current Accounts in Debtor and Creditor Countries" (with A. Kraay), *Quarterly Journal of Economics*, November 2000.



Hans-Joachim Voth earned his Ph.D. in Economics at Oxford University in 1996. Currently he is ICREA Research Professor of Economics and Economic History at UPF. He is a CEPR fellow, and a member of the editorial board of the *Journal of Economic History*. He has won the Gino Luzzatto Prize for the best thesis in European economic history, the Alexander Gershenkron Prize for best thesis on non-US topics, and a Leverhulme Prize for outstanding researchers

under the age of 35. His work has appeared in the *American Economic Review*, the *European Economic Review*, the *Journal of Economic History*, *Explorations in Economic History*, and in a book with Oxford University Press. He has held visiting appointments at Stanford, MIT and Stern Business School (NYU).

His research interests are in financial economics, macroeconomics, and economic history.

Selected publications:

- "Credit Rationing and Crowding Out during the Industrial Revolution: Evidence from Hoare's Bank, 1702-1862" (with P. Temin), *Explorations in Economic History*, 2005.
- "Riding the South Sea Bubble" (with P. Temin), *American Economic Review*, 2004.
- "With a Bang, Not a Whimper: Pricking Germany's 'Stockmarket Bubble' in 1927 and the Slide into Depression", *Journal of Economic History*, 2003.

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- ☐ **Modern Perspectives on Monetary Policy (I): Basic Models and Theory** /June 26-30
- ☐ **Economic Growth and Development (I)** /June 26-30
- ☐ **Credibility and Learning with Applications to Economic Policy: Why Should Macroeconomists Learn Learning?** /June 26-30
- ☐ **Modern Perspectives on Monetary Policy (II): Advanced Topics** /July 3-7
- ☐ **Economic Growth and Development (II)** /July 3-7
- ☐ **Fiscal Policy in General Equilibrium Models of the Business Cycle** / July 3-7
- ☐ **Methods for Estimation of DSGE Models** (15 hours) / July 3-7
- ☐ **Globalization and Financial Markets (I): Sovereign Risk** /July 10-14
- ☐ **Cities and Economic Geography (I): Theory** /July 10-14
- ☐ **Financial Crises, Bubbles and Crashes** /July 10-14
- ☐ **Globalization and Financial Markets (II): Asset Bubbles** /July 17-21
- ☐ **Cities and Economic Geography (II): Evidence** /July 17-21

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