Topics in Macro-Finance: The Euro Crisis

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Outline

The objective of this seminar is to discuss recent work on financial crises. The emphasis is on economic concepts developed in the face of the Euro crisis of 2010-2012, which is also the principal application for relevant empirical work.

Topics include (i) misallocation and capital inflows, (ii) modern and shadow banks, (iii) strategic complementarities and amplification, (iv) debt contracts and the distinction between solvency and liquidity, (v) the diabolic loop, (vi) regional flights to safety, and (vii) unconventional monetary policy. A general introduction to these topics can be found in Brunnermeier and Reis (2019).

Assessment

Participants choose a paper from the list of topics. They are required to present the paper in class (45-minute presentation) and to write a seminar paper (15-20 pages, font size 12 pt and line spacing 1.5). Participants should provide a summary and critical evaluation of the paper, a comparison with the related literature and, where relevant, an assessment on the basis of pertinent empirical data. Seminar presentations and the paper are in English. Grading is based on the presentation (40 %) and the seminar paper (60 %).

Organizational Details

Students have to sign up for this seminar during the period January 21 - January 27, 2020.

The seminar will be held as a block seminar on July 03 and 04, 2020 (compulsory attendance). We will first meet on April 21, 2020 to discuss details (compulsory attendance). Participants have to hand in their seminar paper by August 17, 2020 (or earlier) as electronic file + printed copy.
Topics

1. Capital flows and their allocation
   (a) Reis (2013)
   (b) Dias et al. (2016)

2. Channels of funding and the role of (shadow) banks
   (a) Santos (2017)
   (b) Martínez-Miera and Repullo (2017)

3. The financial crash and systemic risk
   (a) Shleifer and Vishny (2010)
   (b) Shleifer and Vishny (2011)

4. Solvency versus liquidity
   (a) Brunnermeier (2016)

5. The nexus between the private and public sectors
   (a) Brunnermeier et al. (2016)
   (b) Bolton and Jeanne (2011)

6. The flight to safety
   (a) Brunnermeier and Huang (2019)
   (b) Calvo (1998)

7. Unconventional monetary policy
   (a) Reis (2016)
References


