

## I.S.E.O. SUMMER SCHOOL 2018

"Challenges and Opportunities in a Shifting Global Economy"  
21-30 June 2018, Iseo

Thursday 21<sup>st</sup> June 2018

Daytime	Participants' arrival
20.00	I.S.E.O presentation at the hotel
20.30	Dinner at the hotel

Friday 22<sup>nd</sup> June 2018

9.00-11.15	Opening lecture: <b>MICHAEL SPENCE (Nobel Laureate 2001, New York University)</b>
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**Title: "Will digital technologies integrate or balkanize the global economy and will they promote convergence or cause divergence?"**

11.15-12.15	Your lecture with <b>Alejandra Olivares Rios</b>
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12.30	Lunch at the hotel
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14.30-17.30	Lecture: <b>ROBERT ENGLE (Nobel Laureate 2003, New York University)</b>
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**Title: "Advanced Risk Management"**

**Abstract:** Professor Robert Engle will feature lessons on monitoring volatility and systemic risk using V-Lab, the Volatility Institute's pathbreaking financial risk platform. The first half of the session will cover features of volatility, the economics of volatility, and the econometrics of volatility. The second half will focus on measuring excessive credit growth and computing SRISK.

20.00	Dinner at the hotel
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Saturday 23<sup>rd</sup> June 2018

8.30	Group picture at the hotel and departure to Brescia
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9.30-12.30	<b>"FRANCO MODIGLIANI'S LEGACY IN THE WORLD ECONOMY"</b>
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Public conference at the University of Brescia with **Robert Engle, Robert Merton, Gianni Amisano** (Federal Reserve Board) and **Marco Pagano** (University of Naples Federico II)

12.30	Lunch in Brescia
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14.00-16.00	Guided tour in Brescia promoted by Bresciatourism
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20.00	Dinner at <b>Ai Nidri</b> restaurant
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Sunday 24<sup>th</sup> June 2018

8.45	Participants' departure to Verona (packed lunch)
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20.00	Dinner at the hotel
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**Monday 25<sup>th</sup> June 2018**

9.30-12.30 Lecture: **ROBERT MERTON (Nobel Laureate 1997, MIT)**

**Title: “Solving Challenges and Creating Opportunities in the Global Economy Using Financial Science - Past, Present and Future”**

**Abstract:** A well-functioning financial system plays a critical role in economic growth and development. The sometimes-claimed dichotomy between the “real economy” and the “financial economy” is largely a fiction.

Today no major financial institution in the world, including central banks, can function without the computer-based mathematical models of modern financial science and the myriad of derivative contracts and markets used to execute risk-transfer transactions as well as extract price- and risk-discovery information.

In this lecture, we will explore the impact of financial innovation on the economy through a series of examples. These examples will illustrate how financial innovation can materially impact the real-economy, both in terms of efficiency gains and environmental sustainability. They will demonstrate how crisis can induce implementation of financial innovations, which not only address the immediate challenges created by the crisis but also create opportunity for continuing, long-term benefits to the economy. We will show how finance science can improve implementation of important policy and regulatory objectives by removing unnecessary and unintended, dysfunctional economic “side effects” of those policies and regulations. We will discuss the future opportunities of the digital revolution in financial services [“FinTech”] and the challenges for its implementation from “inherent opacity” and the essential need for trust in the production and oversight of financial services in the future.

12.30 Lunch at the hotel

14.30-17.30 Lecture: **CARLO COTTARELLI (Bocconi University)**

**Title: “The rise of public debt in advanced economy: should we be worried?”**

**Abstract:** During the last ten years, public debt has reached in many advanced economies levels that, as a ratio to GDP, are unprecedented in peacetime. This surge has been to a large extent been financed by printing money, with liquidity also reaching unprecedented levels. Is this situation sustainable? Why inflation has not surged *pari passu* with the monetary expansion? What are the risks and how do they differ across countries? This lecture will answer these questions and will discuss, among other things, the risks facing the euro area as a result of still divergent trends in public debt between northern and southern euro area countries.

20.30 Dinner at **Lido dei Platani** pizzeria, departure from the lobby at 20.00

## Tuesday 26<sup>th</sup> June 2018

9.30-11.30 Lake tour with kayak, departure from the lobby at 9.15

12.30 Lunch at the hotel

14.30-17.30 Lecture: **ANDRÉS RODRÍGUEZ-POSE (London School of Economics)**

**Title: "Institutions, government quality and regional growth"**

**Abstract:** Cities and regions face unceasing pressures to adapt in response to processes of globalisation, changes in industrial production, and new patterns of migration and trade. At the same time, the dominant development policies are proving incapable of providing answers to these challenges. Strategies based on a mix of physical and human capital and technology have not succeeded in dealing with growing territorial inequality and its treacherous economic, social and political consequences. There is thus an urgent need to understand why territorial divergence occurs and why there is a growing decline in the returns of public intervention targeting economic development. In search for answers, scholars have turned to the examination of institutions. But despite progress in our grasp of how institutions affect development, important knowledge gaps remain: most research still considers institutional conditions as static, disregarding the implications of institutional change for development; the importance of formal institutions has been stressed at the expense of that of informal institutions; limited attention has been paid to institutional transmission mechanisms; and there is a vast demand for generating effective, evidence-based policies based on institutional research. This lecture will dwell on these issues by looking at empirically the impact of institutions and quality of government on regional and urban economic development in European regions and Chinese cities.

20.00 Dinner at the hotel

## Wednesday 27<sup>th</sup> June 2018

9.00-11.30 Lecture: **HAIHONG GAO (Chinese Academy of Social Sciences)**

**Title: "China in a changing global economy"**

**Abstract:** China has played a significant role in a shifting global economy since the global financial crisis. The lecture intends to provide in-depth analysis of how China rebalanced its economy, what factors determined the policy decision, and why achieving the long-term reform and opening objectives is critical for the success of China's economic transformation. The lecture also covers the major vulnerabilities and challenges facing the economy. In the global context, the rise of the Chinese currency has become a major driving force in changing the functions of international reserve currencies. The lecture investigates the key elements for the ambition of renminbi internationalization, how China sees the changing dynamic of international monetary system, and what policies that China has been pursuing in response to its growing influence in the global financial governance.

11.45-12.45 Your lecture with **Tatja Karkkainen**

12.45 Lunch at the hotel

15.00-18.00 Lecture: **GAËL GIRAUD (University of Paris 1-Sorbonne)**

**Title: “Global warming, Thermodynamics and Stock-flow consistent Macrodynamics”**

**Abstract:** What might be the impact of global warming on the macro-economic trajectory of the world economy? And which tools do we have at our disposal to improve the planetary economic and financial resilience? Gaël Giraud will provide a new macro framework, based on stock-flow consistent non-linear dynamics with a climate back-loop. It turns out that the interplay between private debt dynamics and climate change might provide a coupled source of Minskyan instability, possibly leading to a debt-deflationary collapse. This scenario of degrowth by disaster can be avoided thanks to a number of public policies: an increase of the wage share, deleveraging of the private sector, implementation of a corridor of carbon taxes, subsidies of abatement costs. Eventually, these dynamics are embedded into a thermodynamical model of natural resources and wastes where the economic system is viewed as an out-of-equilibrium dissipative structure. This enables to analyse the impact of resources' growing scarcity, excessive waste exuding and recycling. This is the first full-blown macro-economic setting compatible with the first two laws of thermodynamics, where capital is understood as a machine producing negentropy.

20.30 Dinner in local restaurants, departure from the lobby at 20.00

### Thursday 28<sup>th</sup> June 2018

9.00-11.30 Lecture: **KAMIAR MOHADDES (Cambridge University)**

**Title: “Climate Change, Volatility, and Economic Growth: Evidence Based on Cross-Country and Within-Country Studies”**

**Abstract:** Global temperatures have increased significantly in the past 40 years and extreme weather events, such as heat waves, droughts and floods, as well as natural disasters are becoming more frequent and more severe. These weather events are not only affecting low-income and developing countries, but also advanced. A rise in temperature and/or more volatile weather events can have long-term macroeconomic consequences by reducing agricultural and mining output, suppressing labor productivity, slowing investment and damaging human health, something that is usually overlooked in the literature owing to the short-term focus of existing studies.

This lecture discusses the long-term macroeconomic consequences of climate change uncertainty using a theoretical cross-country stochastic Solow-Swan growth model with climate effects and provides empirical evidence based on a cross-country study (a panel of 174 countries over the period 1960-2014) and a within-country study (48 US-states over the period 1963-2016).

Specifically, we examine the following questions: What is the long-term relationship between temperature and precipitation shocks and economic activity? Through what channels do weather fluctuations affect the economy? How can the country cope with weather shocks and extreme weather events? What policies might mitigate the macroeconomic effects of weather fluctuations?

11.45-12.45 Your lecture with **Daniela Rivero Bryant**

- 12.45 Lunch at the hotel  
14.30-17.30 Lecture: **CHRISTIAN DUSTMANN (University College London)**

**Title: "The Economic Effects of Immigration"**

**Abstract:** The lecture will study the various way in which immigration affects the receiving economy. We will first discuss the various channels of economic adjustment to a labor supply shock induced by immigration. Using the wage impact of immigration as an example, we will then discuss the challenges for empirical analysis to identify the causal effects of immigration, and how these can be overcome. Finally, we briefly discuss reason why the many studies in this literature find so different results.

- 19.30 Gala Dinner at **Berlucchi**, one of the most prestigious Franciacorta wineries, departure from the lobby at 19.15

**Friday 29<sup>th</sup> June 2018**

- 9.30-12.30 Lecture: **EMANUELE FERRAGINA (Sciences Po)**

**Title: "The Political Economy of Welfare State Retrenchment and Family Policy Expansion in High-Income Countries"**

**Abstract:** In contrast with the overall motion of the welfare state in high-income countries, family policy is expanding rather than retrenching. This expansion constitutes a 'contingent convergence' toward higher spending for childcare services and a more egalitarian share of leave among parents. We interpret this evolution in accordance to welfare state and political economy developments as part of two opposite movements. On the one hand, family policy expansion coherently with welfare state retrenchment contributes to boost maternal employment in low-service sector jobs. On the other, it reduces mothers' care-work burden, smoothing the shift from the male breadwinner to the adult worker model. The first movement characterises family policy expansion as another tool to foster neoliberal capitalism and the advent of the Schumpeterian Workfare State, while the second supports working parents in meeting increasing childcare costs, progressively extending the so-called LEGO logic outside Scandinavia. Both movements interplay, however an empirical analysis of the simultaneous variation of childcare spending and minimum income guarantees for couples with two children indicates that the first movement seems prevalent over the second in a large majority of high-income countries.

- 12.30 Lunch at the hotel  
14.30 Free time  
**Optional:** 14.30-17.30 shuttle to Franciacorta outlet  
20.00 Dinner at **Ai Nidri** restaurant

**Saturday 30<sup>th</sup> June 2018**

- Daytime Participants' departure from Iseo  
8.30 I.S.E.O shuttle bus to the Bergamo Orio al Serio and Malpensa airports  
11.00 Check out from the hotel