Adrien Wicht

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Citations Google Scholar

Research Interests

Macroeconomics, International Economics, Sovereign Debt, Recursive Contracts.

References

Ramon Marimon	Alexander Monge-Naranjo	Andreas Müller
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Education

- **University of Basel** — Basel, CH
  Postdoc in International Economics — *03.24 – Current*
  Principal Investigator: Andreas Müller.
- **European University Institute** — Florence, IT
  PhD in Economics — *08.19– 02.24*
  Examining Board: Ramon Marimon, Alexander Monge-Naranjo, Mark Aguiar, Yan Bai.
- **University of Pennsylvania** — Philadelphia, US
  Visiting Scholar — *09.21 – 02.22*
  Sponsor: Dirk Krueger.
- **European University Institute** — Florence, IT
  MRes in Economics — *08.18 – 07.19*
- **University of Zurich** — Zurich, CH
  MA in Economics — *09.15 – 07.17*
- **University of Fribourg** — Fribourg, CH
  BA in Economics — *09.11 – 06.14*
- **Collège Sainte-Croix** — Fribourg, CH
  Maturity with Major in Law and Economics — *08.07 – 07.11*

Job Market Paper

- **Efficient Sovereign Debt Management in Emerging Economies, 2024**: This paper assesses the sovereign debt management of emerging economies in terms of maturity, buyback and default. I consider a market economy in which a sovereign borrower trades non-contingent bonds of different maturities with two foreign lenders. The strategic interaction between the lenders generates two Markov equilibria. The first one features buybacks at a premium and no defaults, while the second one predicts the opposite. The two equilibria can be Pareto ranked. In particular, the market economy can implement the Planner's constrained efficient allocation through changes in maturity and premium-bearing buybacks. Defaults cannot substitute for such buybacks. In addition, the lenders must enforce the payment of the premium. Such enforcement might fail, though. I relate my findings to the experience of Argentina and Brazil since 1995. I estimate that the Brazilian government paid an average premium of 6% at issuance on its buyback operations. The model predicts that the debt management of Brazil is not constrained efficient yet more efficient than the one of Argentina.

Published Work

- **Making Sovereign Debt Safe with a Financial Stability Fund (joint with Yan Liu and Ramon Marimon), 2023**: Journal of International Economics, Vol. 145, link.
- **On a Lender of Last Resort with a Central Bank and a Stability Fund (joint with Giovanni Callegari, Ramon Marimon and Luca Zavalloni), 2023**: Review of Economic Dynamics, Vol. 50, pp. 106-130, link.
- **Demographics and the Current Account (joint with Joschka Gerigk and Miriam Rinawi), 2018**: Aussenwirtschaft, Vol. 69(1), pp. 45-76, link.

Current Work and Working Papers

- **Seniority and Sovereign Default: The Role of Official Multilateral Lenders, 2023 (Submitted)**: Sovereign countries do not necessarily repay all its creditors. There is a clear pecking order in which official multilateral lenders – i.e. mainly the International Monetary Fund and the World Bank – are given priority in repayment. Yet, this preferred status is a market practice and is not legally binding. This paper documents the source and the consequences of the *de facto* seniority of official multilateral lenders. Empirically, I present evidence that defaults involving such lenders are infrequent, last relatively longer and are associated with greater private creditors' losses. To rationalize those findings, I build a model of endogenous defaults and renegotiations with heterogenous lenders. I find that the key component behind the *de facto* seniority is the typical policy of non-toleration of arrears adopted by official multilateral lenders. Combined with the default penalty, this policy rationalizes the aforementioned empirical facts, generates important spillovers on other creditors and is a source of fiscal discipline. The borrower values the use of official multilateral debt and would not necessarily prefer other seniority regimes.
- **Commitment in the Canonical Sovereign Default Model (joint with Xavier Mateos-Planas, Sean McCrary and Jose-Victor Rios-Rull), 2023 (R&R Journal of International Economics)**: We study the role of lack commitment in shaping the allocations of the canonical incomplete-markets sovereign default model of Eaton and Gersovitz (1981). We show how the equilibrium with commitment to the circumstances under which default can be undertaken involves a very different set of functional equations than in the equilibrium without commitment. In practice, under commitment default does not exist in all but very extreme quantitative environments. We document how the standard specification of Arellano (2008) displays no default if there is commitment, even in the absence of both utility cost and exclusion from borrowing. While less standard specifications can produce some default under commitment, we provide examples that demonstrate how rare default is. We interpret default as a recourse of last resort.
- **The Generalized Euler Equation and the Bankruptcy-Sovereign Default Problem (joint with Xavier Mateos-Planas, Sean McCrary and Jose-Victor Rios-Rull), 2023 (Submitted)**: We characterize the equilibrium of the standard sovereign default model where a risk-averse borrower issues long-term non-contigent bonds but cannot commit its future selves to repay. We show existence and uniqueness of the Markov equilibrium of the dynamic game with successive borrowers that is associated to this environment. We show that the price and policy functions exhibit jumps and kinks in various places. A suitable choice of arbitrary small noise yields price and policy functions that are differentiable almost everywhere which allows us to characterize the equilibrium using only decision rules of the agents by means of a set of functional equations. Further, we describe the equilibrium objects via an Euler equation with derivatives on future actions —i.e. a generalized Euler equation (GEE) where the effects due to default and those to dilution can be disentangled. Computational strategies using these functional equations allow for solving the model with continuous functions using policy iterations. A sufficient variance of the noise allows for concavity and hence unique solution of the GEE which eases computation.
- **Debt and Risk-Sharing with Moral Hazard (joint with Ramon Marimon and Luca Zavalloni), 2024**: We study an economy where a Financial Stability Fund provides long-term credit and insurance contracts to sovereign countries making their debt liabilities safe, without ever incurring in expected losses. Making sovereign debt safe can exacerbate moral hazard problems. We explore different ways to introduce incentive compatibility (IC) constraints to address these problems. We analyze the tradeoff between the effectiveness of the IC constraints in enhancing effort and their disruption of perfect-risk sharing, as well as the interaction between the IC constraints and the limited enforcement (LE) constraints, which make debt safe and sustainable. Our framework allows us to formally analyze 'conditionality': unobservable (non-contractible) effort not only has an effect on the final distribution of the observable outcome (e.g. output or government liabilities), but also can help to fulfil an observable (and contractible) condition informative of the improved risk profile of the country. With this we open the theoretical-quantitative enquire of what is the value of 'conditionality'. These alternative formulations of moral hazard constraints can help to bridge the theoretical modelling of Fund contracts with existing official lending practices.
- **Fiscal and Environmental Policy under Limited Commitment, 2024**: This paper derives the optimal fiscal and environmental policy under limited commitment. A government decides how to allocate resources between a polluting production technology and environment protection. There is a fixed environmental capital which stochastically depreciates with pollution and stochastically expands with environmental actions. The government can issue debt to finance its budget but cannot commit to any fiscal or environmental policy. I find that, in periods of financial distress, the government decides to deplete the environmental capital to avoid reduction in consumption. As the environmental capital depreciates stochastically with pollution, the government effectively gambles over the future state of the environment. I analyze recent shifts in the environmental policies of selected countries and connect them with a measure of fiscal tightness. There is evidence that such countries loosen their environmental policy when facing a larger fiscal burden.
- **Sovereign Debt Maturity and the Political Process (joint with Darius Adlung and Andreas Müller), 2024**: draft coming soon.

Policy Papers

- **Euro Area fiscal policies and capacity in post-pandemic times (joint with Ramon Marimon), 2021**: The main legacy of the post-Covid-19-crisis euro area fiscal framework should be the development of a unique integrated fiscal policy and of a permanent and independent Fiscal Fund to implement it. To arrive at this conclusion, we analyse the challenges and build on current research on the optimal design of a fiscal fund. We characterise the fiscal policy, and the development of the Fund, together with the role and form that the Stability and Growth Pact can take in the new fiscal framework.

Teaching Assistance

- **European University Institute** Florence, IT
  Instructor: Ramon Marimon. *09.23 – 11.23*
  - **Beliefs & Learning and Dynamic Contracts & Mechanism Design**: PhD elective course
- **European University Institute** Florence, IT
  Instructor: Alexander Monge-Naranjo. *04.23 – 06.23*
  - **Macroeconomics III – Part. 2: Incomplete Markets**: PhD core course
- **European University Institute** Florence, IT
  Instructor: Ramon Marimon. *09.22 – 11.22*
  - **Advanced Macro Introduction**: PhD elective course
- **European University Institute** Florence, IT
  Instructor: Ramon Marimon. *04.20 – 06.20*
  - **Macro-Finance and Policy Design**: PhD elective course
- **European University Institute** Florence, IT
  Instructor: Jesús Bueren. *01.20 – 03.20*
  - **Macroeconomics II**: PhD core course

Research Advisory and Assistance

- **European Stability Mechanism** Remote
  Head of unit: Giovanni Callegari. *04.23 – 10.23*
  - Support members of staff in developing models under the IDEA Project.
  - Software programming and calibration.
- **Robert Schuman Center of Advance Studies, European University Institute** Florence, IT
  Advisor: Ramon Marimon. *09.20 – 08.21*
  - Development and computation of dynamic macroeconomic models.
  - Data gathering, software programming and calibration.
- **International Policy Analysis Unit, Swiss National Bank** Zurich, CH
  Head of unit: Alain Gabler. *07.17 – 07.18*
  - Database management, data processing and analysis.
  - Involvement in policy-relevant research.

Conferences, Seminars and Workshops

- **A Dynamic Economic and Monetary Union (ADEMU) Workshop**: BSE Summer Forum (scheduled)
- **Joint Banque de France and EUI Conference**: Paris, 11.09.23
- **European Economic Association**: Barcelona, 28.08-01.09.23
- **XXVI Workshop on Dynamic Macroeconomics**: Vigo, 11-13.07.23
- **Society of Economic Dynamics (SED) annual Meeting**: Universidad de los Andes, 29.06-01.07.23
- **A Dynamic Economic and Monetary Union (ADEMU) Workshop**: BSE Summer Forum, 14-15.06.23

- **5th QMUL Economics and Finance Workshop**: Queen Mary University of London, 25-26.05.23
- **Second PhD Workshop in Money and Finance**: Sveriges Riksbank, 15.05.23
- **17th End-of-Year Conference of Swiss Economists Abroad**: University of Basel, 22.12.22
- **Society of Economic Dynamics (SED) annual Meeting**: University of Madison-Wisconsin, 28-30.06.22
- **A Dynamic Economic and Monetary Union (ADEMU) Workshop**: BSE Summer Forum, 15-16.06.22
- **5th Interdisciplinary Sovereign Debt Research and Management Conference (DebtCon5)**: EUI, Georgetown University, The Graduate Institute of Geneva, Sovereign Debt Forum, 25-26.05.22
- **21st Doctoral Meeting in International Trade, International Macroeconomics and Urban Economics**: Sciences Po Paris, 28-29.04.22
- **Macro Student Talk**: University of Pennsylvania, 17.02.22.
- **Philadelphia Fed Seminar**: Federal Reserve Bank of Philadelphia, 16.02.22.
- **Macro Lunch Seminar**: University of Pennsylvania, 22.10.21.
- **A Dynamic Economic and Monetary Union (ADEMU) Workshop**: European Stability Mechanism, EUI and University of Luxembourg, 08-09.10.20

Additional Coursework

- **Florence School of Banking and Finance** — Florence, IT
  Sovereign Debt Risks — *23.05.22 – 25.05.22*
  Instructor: Lee Buchheit, Mitu Gulati and Ugo Panizza.
- **Study Center Gerzensee** — Gerzensee, CH
  An Introduction to Macro-Finance — *02.05.22 – 06.05.22*
  Instructor: Atif Mian.
- **University of Pennsylvania** — Philadelphia, US
  International Macroeconomics with Financial Frictions — *08.21 – 12.21*
  Instructor: Enrique Mendoza.
- **University of Pennsylvania** — Philadelphia, US
  Topics in Macroeconomic Theory — *08.21 – 12.21*
  Instructor: Alessandro Dovis.
- **Euro Area Business Cycle Network** — Online
  Continuous Time Methods in Macroeconomics — *28.09.20 – 30.09.20*
  Instructor: Jesús Fernández-Villaverde and Galo Nuño.

Refereeing

- Journal of Economic Dynamics and Control.

Awards and Grants

- Doc Mobility Grant, Swiss National Science Foundation, 09.21-02.22.
- EUI PhD Grant, Swiss Grant-awarding Authority, 2018-2022.
- The Ernst & Young Award, University of Fribourg, Best Bachelor of Arts in Economics, 2014.
- Prix de la Banque Cantonale de Fribourg, Collège Sainte-Croix, Best GPA in Law & Economics, 2011.
- Prix du Fonds Tesch, Collège Sainte-Croix, Best GPA in the French-speaking section, 2011.

Skills Summary

- **Languages**: French (native), German (fluent), Swiss German (fluent), English (fluent), Italian (intermediate).
- **Text editors**: Latex, MS Office and Apple applications.
- **Software**: Excel VBA, Fortran, Julia, Matlab, MySQL, OpenMP, QGIS, R, Stata.