

University of Minnesota - Twin Cities

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Curriculum Vitae
Fall 2020

FERNANDO ARCE**Personal Data***Address*

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Citizenship: Bolivia F-1, Argentina

Major Fields of Concentration

Macroeconomics, International Economics, International Finance

Education

<i>Degree</i>	<i>Field</i>	<i>Institution</i>	<i>Year</i>
PhD	Economics	University of Minnesota (expected)	2021
MA	Economics	University of Minnesota	2018
MSc	Economics for Development <i>with distinction</i>	University of Oxford	2013
<i>Dipl. Ing.</i>	Statistics and Economics	ENSAE - Paris Tech	2013

Dissertation

Title: "Essays on International Borrowing"

Dissertation Advisors: Professor Manuel Amador and Professor Timothy Kehoe

Expected Completion: Summer 2021

References

Professor Manuel Amador	(612) 624-4060 (612) 204-5781 amador@umn.edu	Department of Economics University of Minnesota 1925 Fourth Street South Minneapolis, MN 55455
Professor Timothy Kehoe	(612) 625-1589 (612) 204-5533 tkehoe@umn.edu	
Dr. Javier Bianchi	(612) 204-5934 javieribianchi@gmail.com	Research Department Federal Reserve Bank of Minneapolis 90 Hennepin Avenue Minneapolis, MN 55401
Dr. Marco Bassetto	bassetto@nber.org	

Honors and Awards

2019 - 2020	<i>Doctoral Dissertation Fellowship</i> , University of Minnesota, Minneapolis, Minnesota
2018	<i>Second Place</i> , Third Year Paper Competition, Department of Economics, University of Minnesota, Minneapolis, Minnesota
2016	<i>Distinguished Teaching Assistant</i> , Department of Economics, University of Minnesota, Minneapolis, Minnesota
2015	<i>Bert and Susan Hill Gross Fellowship</i> , Department of Economics, University of Minnesota, Minneapolis, Minnesota
2013	<i>Arthur Lewis Prize for Excellence in Development Economics</i> , Department of Economics, University of Oxford, Oxfordshire, U.K
2012	<i>Mobility Scholarship</i> , ENSAE ParisTech, Malakoff, France
2008 - 2013	<i>Excellence - Major Grant Program</i> , French Ministry of Foreign Affairs, Paris, France

Teaching Experience

Fall 2020 - present	<i>Teaching Assistant</i> , Department of Economics, University of Minnesota, Minneapolis, Minnesota. Led recitations for advanced undergraduate <i>Microeconomic Analysis</i> , <i>Advanced Topics in Economics-Uncertainty and Information</i> . This course was delivered online.
Summer 2017	<i>Instructor</i> , Department of Economics, University of Minnesota, Minneapolis, Minnesota. Instructor for <i>International Trade</i> , <i>Writing Intensive</i> .
2016 - 2017	<i>Teaching Assistant</i> , Department of Economics, University of Minnesota, Minneapolis, Minnesota. Led recitations for the Ph.D. level <i>Microeconomic Theory</i> sequence.
2012	<i>Teaching Assistant</i> , University Paris I Panthéon Sorbonne, Paris, France. Led recitations for <i>Introduction to Financial Markets</i> .

Research Experience

2019 - Present	<i>Visiting Scholar</i> , Research Department, Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota
2017 - 2019	<i>Research Analyst</i> , Research Department, Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota. Research Assistant for the Economic Analysis Group. Policy work: Developed a model of debt sustainability and an index of income inequality for the US.
2013 - 2015	<i>Research Fellow</i> , Research Department, Inter-American Development Bank, Washington, DC. Research assistant for Andrew Powell. Policy work: Editing the Macroeconomic Reports 2014, 2015. Constructed and updated a dataset of Inflection Expectations REVELA.
Summer 2012	<i>Research Assistant</i> , Research Department, French Development Agency, Paris, France. Research Assistant for Bastien Bedossa and the Macroeconomic Analysis and Country Risk Unit.

Working Papers

- “Private Overborrowing under Sovereign Risk,” job market paper, in progress
- “A Macprudential Theory of International Reserves,” with Julien Bengui and Javier Bianchi, under submission
- “Optimal Redistribution in a Sudden Stop-Prone Economy,” with Monica Tran Xuan, in progress
- “Skill Premium, Trade, and Human Capital,” with Camilo Alvarez and Samuel Bailey, in progress

Presentations

- “A Macprudential Theory of International Reserves,” present at the Midwest Macroeconomics Meeting May 2019, Athens, GA; Society for Economic Dynamics Annual Meeting, June 2019, St. Louis, MO; IMF Brown Bag Seminar, IMF, Washington, DC, July 2019; Allied Social Science Association Annual Meeting, January 2020, San Diego, CA.
- “Private Overborrowing under Sovereign Risk,” presented at the 33rd Eurasia Business and Economics Society Conference, Madrid, October 2020; 15th Annual Economics Graduate Student Conference Washington University in St. Louis, November 2020 (scheduled).
- “Skill Premium, Trade, and Human Capital,” presented at the Midwest Economics Association Conference, March 2018.

Presentations by Coauthor

“A Macropprudential Theory of International Reserves,” presented at -BIS-BoE-ECB-IMF Basel Workshop, May 2019;
3rd IMF Annual Macro-Financial Research Conference, September 2020.

Computer Skills

Matlab, SAS, Fortran, Python, Stata, LaTeX

Languages

Spanish (native), English (fluent), French (fluent)

Abstracts

“Private Overborrowing under Sovereign Risk,” job market paper

This paper argues that excessive international private debt increases the frequency and severity of sovereign debt crises. I develop a quantitative theory of private and public debt that allows me to measure the level of private overborrowing and its effect on the interest rate spread paid on public debt. In an environment where private credit is constrained by the market value of income, individually optimal private borrowing decisions are inefficient at the aggregate level. High private debt increases the probability of a financial crisis. During such crises, drops in consumption cause a decline in the market value of collateral that in turn further reduces consumption. To mitigate this financial amplification mechanism, the government responds with large fiscal bailouts financed with risky external public debt. I show that this response then causes a sovereign debt crisis, characterized by high interest rate spreads and in some cases default. I find that the model is quantitatively consistent with the evolution of international private debt, international public debt, and sovereign spreads in Spain from 1999 to 2015. I estimate that private debt was 5% of GDP above the socially optimal level in the lead-up to the crisis. Private overborrowing increased the annual probability of a financial crisis by 2.4 percentage points. Finally, excessive private debt raised the interest rate spread on public bonds by at least 3.8 percentage points at its peak in 2012.

“A Macropprudential Theory of International Reserves,” with Julien Bengui and Javier Bianchi

This paper proposes a theory of foreign reserves as macropprudential policy. We study an open economy model of financial crises, in which pecuniary externalities lead to overborrowing, and show that by accumulating international reserves, the government can achieve the constrained-efficient allocation. The optimal reserve accumulation policy leans against the wind and significantly reduces the exposure to financial crises. The theory is consistent with the joint dynamics of private and official capital flows, both over time and in the cross section, and can quantitatively account for the recent upward trend in international reserves.

“Optimal Redistribution in a Sudden Stop-Prone Economy,” with Monica Tran Xuan

We explore the implications of household heterogeneity on the design and implementation of optimal macropprudential policies. We document that countries with higher levels of inequality exhibit higher levels of private borrowing and more recurrent sudden stop crisis. We develop a production economy where households are heterogeneous in their labor productivity and have access to international credit markets subject to a collateral constraint that depends on their market income. As a result, high income households also have a higher borrowing capacity. We study the implications of this mechanism for the choice of labor and borrowing taxes for a government who faces a trade-off between decreasing the probability of a sudden stop and redistributive concerns.