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EDUCATION

Ph.D. Economics, University of Maryland at College Park, expected Summer 2010

M.Sc. Economics, London School of Economics, London, UK, 2000

B.A. Economics, University of Cambridge, Cambridge, UK, 1999

DISSERTATION

Essays on optimal aid and fiscal policy in developing economies

Committee: Prof. Enrique Mendoza (Chair), Prof. John Rust, Prof. Pablo D'Erasmus

FIELDS OF SPECIALIZATION

Primary: International Finance, Macroeconomics, Econometrics

Secondary: Computational Economics, Macro-Development

PAPERS

“Which Countries Receive Aid as Insurance and Why? A Theory of Optimal Aid Policy,”

Job Market Paper. University of Maryland, 2009.

“New Evidence on the Cyclical Relationship Between Aid and Institutions,”

University of Maryland, 2009.

“Optimal Pro-cyclical Fiscal Policy Without Pro-cyclical Government Spending,” University of Maryland, 2008.

“What Moves Equity Prices in the UK and US? How Far Can Durable Goods Improve Our Understanding,” (with I. Contractor), Bank of England, (2005). Presented at the Royal Economics Society Annual Conference, 2005.

“Inflation Dynamics in Seven Open Industrialised Economies,” (with N. Batini), Bank of England (2004). Presented at European Economic Association Annual Congress, 2004 and the Society for Computational Economics International Conference, 2004.

“UK Consumers' Habits,” (with N. Batini), Bank of England External Monetary Policy Committee Unit Discussion Paper, 2003. Presented at European Economic Association Annual Congress, 2003.

PROFESSIONAL EXPERIENCE

Economist, Bank of England, Monetary Policy Committee Unit, 2002-2005.

Worked directly for Professor Stephen Nickell, member of the UK Monetary Policy Committee. Responsibilities included UK macro model forecasts.

Economist, Bank of England, Financial Stability, 2000-2002.

Developed methods to extract market expectations from options prices.

Referee, Bulletin of Economic Research.

RESEARCH/TEACHING EXPERIENCE

Research Assistant, for Professor Pablo D'Erasmus, University of Maryland, Spring 2009.

Research Assistant, for Professor Enrique Mendoza, University of Maryland, Fall 2007-Spring 08.

Teaching Assistant, Principles of Macroeconomics, Fall 2008, Fall 2009.

Teaching Assistant, Intermediate Macroeconomics, Fall 2006, Spring 2007.

Teaching Assistant, Principles of Microeconomics, Spring 2006.

AWARDS

3rd year Ph.D. paper prize, University of Maryland, 2008.

Graduate Assistantship, University of Maryland, 2006-present.

Graduate Fellowship, University of Maryland, 2005-2006.

Economic and Social Research Council Scholarship, London School of Economics, 1999-2000.
Adam Smith Prize for the best thesis, University of Cambridge, 1999.
Evanthia Sofianou Economics Prize, University of Cambridge, 1999.
Exhibitioner Scholarship, University of Cambridge, 1997-1999.

REFERENCES

Prof. Enrique Mendoza	University of Maryland	mendozae@econ.umd.edu	301-405-3548
Prof. John Rust	University of Maryland	jrust@gemini.econ.umd.edu	301-405-3489
Prof. Pablo D'Erasmus	University of Maryland	derasmo@econ.umd.edu	301-405-3529

THESIS ABSTRACT

Essay I "Which Countries Receive Aid as Insurance and Why? A Theory of Optimal Aid Policy"

[Job Market Paper]

Empirical evidence shows that developing countries with transparent institutions receive procyclical Official Development Aid (ODA) while developing countries with opaque institutions receive acyclical or countercyclical ODA. This paper provides a dynamic equilibrium model of optimal aid policy that quantitatively accounts for this fact. In the model, the donor wants to (a) encourage actions by the aid receiving government that increase output and (b) smooth out economic fluctuations. The transparency of institutions in the country affects the donor's ability to distinguish downturns caused by exogenous shocks, from those caused by government actions. The solution to the donor's mechanism design problem is dependent on the transparency of government actions. If the donor has good information about government actions, aid policy is countercyclical and aid acts as insurance. However, if the donor is unable to perfectly infer the cause of the downturn, aid policy is procyclical to encourage unobservable good actions. The model predicts a similar pattern for ODA commitments for the following year which is supported by the data. For countries with opaque institutions procyclical aid is the result of optimal policies given the information constraints of donors.

Essay II "New Evidence on the Relationship Between Aid Cyclicity and Institutions"

This paper documents a new fact: the correlation between official development assistance (ODA) and GDP is negatively related to the quality of institutions. This fact reconciles conflicting empirical results about the correlation between ODA and GDP in the literature. For instance, Pallage and Robe (2001) find a positive correlation in two thirds of African economies and half of non-African developing economies, but Rand and Tarp (2002) find no correlation in a different set of developing countries. First, once institutions are accounted for, African economies are not treated differently by donors. Second, the sample in Rand and Tarp (2002) comprises developing economies which have relatively good institutions, therefore, those countries receive acyclical or countercyclical aid. Differences in institutional indicators that measure corruption, rule of law, government effectiveness and government transparency are particularly important. The results are found to be robust to several modifications, including within and between country variation and different sources of institutional quality measures.

Essay III "Optimal Procyclical Fiscal Policy Without Procyclical Government Spending"

Procyclical fiscal policy can be caused by either procyclical government expenditure, countercyclical taxes or both. The majority of models which try to explain procyclical fiscal policy as the result of optimal policy have procyclical government expenditures. This paper develops a model which optimally generates procyclical fiscal policy while keeping government expenditures acyclical. Instead, taxes are optimally countercyclical. The model uses endogenous sovereign default to generate an environment where interest rates are lower in booms than in recessions. If household's have insufficient access to financial instruments it is optimal for the government to lower taxes and borrow during booms. This enables impatient households to benefit from the lower interest rates by helping the consumer bring consumption forward.

LANGUAGES English, German, French

PERSONAL INFORMATION Citizenship: British Gender: Male