Accepted Manuscript

Commodity Booms and Busts in Emerging Economies

Thomas Drechsel, Silvana Tenreyro

PII: S0022-1996(17)30163-0
Reference: INEC 3106

To appear in: *Journal of International Economics*

Received date: 25 August 2017
Revised date: 20 December 2017
Accepted date: 28 December 2017


This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
Commodity Booms and Busts in Emerging Economies*

Thomas Drechsel
LSE, CFM

Silvana Tenreyro
LSE, CFM, CEPR

December 29, 2017

Abstract

Emerging economies, particularly those dependent on commodity exports, are prone to highly disruptive economic cycles. This paper proposes a small open economy model for a net commodity exporter to quantitatively study the triggers of these cycles. The economy consists of two sectors, one of which produces commodities with prices subject to exogenous international fluctuations. These fluctuations affect both the competitiveness of the economy and its borrowing terms, as higher commodity prices are associated with lower spreads between the country’s borrowing rate and world interest rates. Both effects jointly result in strongly positive effects of commodity price increases on GDP, consumption, and investment, and a negative effect on the total trade balance. Furthermore, they generate excess volatility of consumption over output and a large volatility of investment. Besides explicitly incorporating a double role of commodity prices, the model structure nests the various candidate sources of shocks proposed in previous work on emerging economy business cycles. Estimating the model on Argentine data, we find that the contribution of commodity price shocks to fluctuations in post-1950 output growth is in the order of 38%. In addition, commodity prices account for around 42% and 61% of the variation in consumption and investment growth, respectively. We find transitory productivity shocks to be an important driver of output fluctuations, exceeding the contribution of shocks to the trend, which, though smaller, is not negligible.

Keywords: Business cycles, Small open economy, Emerging markets, Commodity prices, Argentina’s economy. JEL Classification: E13, E32, F43, O11, O16.

*We would like to thank Juan Antolin-Diaz, Neele Balke, Alberto Cavallo, Gianluca Benigno, Francesco Caselli, Wouter Den Haan, Martin Ellison, Andrea Fererro, Jeff Frankel, Pierre-Olivier Gourinchas, Per Krusell, Tommaso Monacelli, Kris Mitchener, Andres Neumeyer, Juan Pablo Nicolini, Ivan Petrella, Ricardo Reis, Helene Rey, Alan Taylor, and seminar participants at the NBER International Seminar on Macroeconomics 2017, LACEA-LAMES 2017, the Workshop in International Economics at Oxford University, and LSE for useful comments and conversations. For superb research assistance, we would like to thank Piero Fortino and Sun Rui. Tenreyro acknowledges support from ERC Consolidator Grant MACROTRADE-Research on Macroeconomic Fluctuations and Trade. Author details: Department of Economics and Centre for Macroeconomics, London School of Economics. Houghton Street, London, WC2A 2AE, United Kingdom; E-Mail: s.tenreyro@lse.ac.uk and t.a.drechsel@lse.ac.uk.
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله بس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات