

13U012

6 ECTS

Topics in International Economics II

Overview and Objectives

This class is intended for Ph.D. students interested in doing research in international finance or related fields. The content of the class will be broad, but I will not attempt to cover every single relevant topic. In particular, the class will be slightly biased towards theory relative to empirics, towards simple models relative to DSGE models, and towards financial markets relative to macro issues.

Materials

Although I will not follow a textbook, I will cover several chapters from:

Obstfeld, M., and K. Rogoff, Foundations of International Macroeconomics, MIT Press, 1996 (OR)

G. Grossman and K. Rogoff (eds.), Handbook of International Economics Volume III, Elsevier, 1995 (GR)

Course Outline

I. Background Reading

Obstfeld, M. and A. Taylor, Global Capital Markets: Integration, Crisis, and Growth, Cambridge University Press, 2004.

Reinhart, C., and K. Rogoff, This Time is Different: Eight Centuries of Financial Folly, Princeton University Press, 2009.

II. International Borrowing and Lending

* OR. Chapters 1 and 3.

* Kraay, A., and J. Ventura, "Current Accounts in Debtor and Creditor Countries," *Quarterly Journal of Economics*, 2000.

* Ventura, J., "Towards a Theory of Current Accounts," *The World Economy*, 2003.

III. International Risk Sharing

* OR. Chapter 5.

* Lewis, K., "Trying to Explain Home Bias in Equities and Consumption," *Journal of Economic Literature*, 1999.

Backus, D., P. Kehoe, and F. Kydland, "International Real Business Cycles," *Journal of Political Economy*, 1992.

Baxter, M., and U. Jermann, "The international diversification puzzle is worse than you think," *American Economic Review* 87, 1997.

Athanasoulis, S., and R. Shiller, "World Income Components: Measuring and Exploiting Risk-Sharing Opportunities," *American Economic Review*, 2001.

Fratzscher, M., and J. Imbs, "Risk Sharing, Finance, and Institutions in International Portfolios" *Journal of Financial Economics*, 2009.

IV. Capital Flows and the Effects of Financial Integration

* Lucas, R., "Why Doesn't Capital Flow from Rich to Poor Countries?" *American Economic Review*, 1990.

* Caselli, F. and J. Feyrer, "The Marginal Product of Capital," *Quarterly Journal of Economics*, 2007.

* Gourinchas, P. and O. Jeanne, "Capital Flows to Developing Countries: The Allocation Puzzle," Berkeley and Johns Hopkins manuscript, 2011.

Prasad, E., R. Rajan, and A. Subramanian, "Foreign Capital and Economic Growth," *Brookings Papers on Economic Activity*, 2007.

Ohanian, L. and M. Wright, "Where Did Capital Flow? Fifty Years of International Rate of Return Differentials and Capital Flows," UCLA manuscript, 2007.

Ohanian, L. and M. Wright, "Capital Flows and Macroeconomic Performance: Lessons from the Golden Era of International Finance," *American Economic Review P&P*, 2010.

Banerjee, A. and E. Duflo, "Growth Through the Lens of Development Economics," in Aghion, P. and S. Durlauf eds. *Handbook of Economic Growth*, Elsevier, 2005.

* Kose, A., E. Prasad, K. Rogoff, and S. Wei, "Financial Globalization: A Reappraisal," *IMF Staff Papers*, 2009.

* Kose, M., E. Prasad, and M. Terrones, "Financial Integration and Macroeconomic Volatility," *IMF Staff Papers*, 2003.

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* Henry, P., "Capital Account Liberalization: Theory, Evidence, and Speculation," *Journal of Economic Literature*, 2007.

Levchenko, A., R. Ranciere, and M. Thoenig, "Growth and Risk at the Industry Level: The Real Effects of Financial Liberalization," *Journal of Development Economics*, 2009.

V. Sovereign Risk

* OR. Chapter 6.1.

* GR. Eaton, J., and R. Fernández, "Sovereign Debt," sections 1 and 2.

Bulow, J., and K. Rogoff, "Sovereign Debt: Is to Forgive to Forget?" *American Economic Review*, 1989.

Aguiar, M., and M. Amador, "Growth in the Shadow of Expropriation," *Quarterly Journal of Economics*, 2011.

Aguiar, M., and G. Gopinath, "Defaultable Debt, Interest Rates and the Current Account," *Journal of International Economics*, 2006.

Arellano, C., "Default Risk and Income Fluctuations in Emerging Economies," *American Economic Review*, 2008.

Kletzer, K., and B. Wright, "Sovereign Debt as Intertemporal Barter," *American Economic Review*, 2000.

Hellwig, C., and G. Lorenzoni, "Bubbles and Self-Enforcing Debt," *Econometrica*, 2009.

* Cruces, J., and C. Trebesch, "Sovereign Defaults: The Price of Haircuts," manuscript, 2011.

Gelos, G., R. Sahay, and G. Sandleris, "Sovereign Borrowing by Developing Countries: What Determines Market Access?" *Journal of International Economics*, 2011.

Rose, A., "One Reason Countries Pay their Debts: Renegotiation and International Trade," *Journal of Development Economics*, 2005.

Tomz, M., *Reputation and International Cooperation: Sovereign Debt Across Three Centuries*, Princeton University Press, 2007.

Sturzenegger, F., and J. Zettelmeyer, *Debt Defaults and Lessons from a Decade of Crises*, MIT Press, 2006.

Panizza, U., F. Sturzenegger, and J. Zettelmeyer, "The Economics and Law of sovereign debt and default," *Journal of Economic Literature*, 2009.

VI. International and Domestic Financial Markets

* OR. Chapter 6.4.

* Broner, F., A. Martin, and J. Ventura, "Sovereign Risk and Secondary Markets," *American Economic Review*, 2010.

* Broner, F., and J. Ventura, "Rethinking the Effects of Financial Liberalization," mimeo CREI, 2010.

* Gennaioli, N., A. Martin, and S. Rossi, "Sovereign Default, Domestic Banks and Financial Institutions," mimeo CREI, 2011.

* Martin, A. and F. Tadei, "International Capital Flows and Credit Market Imperfections: A Tale of Two Frictions," mimeo, 2010.

Martin, A. and J. Ventura, (2012), "Financial Reforms and Capital Flows: Insights from General Equilibrium," mimeo, 2012.

Caballero, R., and A. Krishnamurthy, "International and Domestic Collateral Constraints in a Model of Emerging Market Crises," *Journal of Monetary Economics*, 2001.

Matsuyama, K. "Financial Market Globalization, Symmetry-Breaking, and Endogenous Inequality of Nations," *Econometrica*, 2004.

Broner, F., and J. Ventura, "Globalization and Risk Sharing," *Review of Economic Studies*, 2011.

Brutti, F., and P. Sauré, "Transmission of Sovereign Risk in Euro Crisis," manuscript, 2011.

Kaminsky, G., and C. Reinhart, "The Twin Crises: The Causes of Banking and Balance-of-Payments Problems," *American Economic Review*, 1999.

Arteta, C., and G. Hale, "Sovereign Debt Crises and Credit to the Private Sector," *Journal of International Economics*, 2008.

* Acharya, V., I. Drechsler, and P. Schnabl, "A Pyrrhic Victory? Bank Bailouts and Sovereign Credit Risk," mimeo, 2011.

Acharya, V., and Rajan, R., "Sovereign Debt, Government Myopia, and the Financial Sector", mimeo, 2012.

* Reinhart, C., and K. Rogoff, "From Financial Crash to Debt Crisis," *American Economic Review*, 2011.

VII. International Financial Architecture

* Cole, H., and T. Kehoe, "Self-Fulfilling Debt Crises," *Review of Economic Studies*, 2000.

Jeanne, O., "Debt Maturity and the International Financial Architecture," *American Economic Review*, 2009.

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* Broner, F., G. Lorenzoni, and S. Schmukler, "Why Do Emerging Economies Borrow Short Term?" *Journal of the European Economic Association*, forthcoming.

* OR. Chapter 6.2.

GR. Eaton, J., and R. Fernández, "Sovereign Debt," sections 3 and 4.

* Krugman, P., "Reducing Developing Country Debt," in *Currencies and Crises*, MIT Press, 1992.

Bolton, P., and O. Jeanne, "Structuring and Restructuring Sovereign Debt: The Role of a Bankruptcy Regime," *Journal of Political Economy*, 2007.

* Reinhart, C., V. Reinhart, and K. Rogoff, "Public Debt Overhangs: Advanced-Economy Episodes Since 1800," *Journal of Economic Perspectives*, 2012.

* Reinhart, C., and B. Sbrancia, "The Liquidation of Government Debt," mimeo, 2011

Rogoff, K., and J. Zettelmeyer, "Bankruptcy Procedures for Sovereigns: A History of Ideas, 1976–2001," *IMF Staff Papers*, 2002.

Reinhart, C., and K. Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Princeton University Press, 2009.