

Topics in Macroeconomics II: International Finance

**2018-2019 Academic Year
Master of Research in Economics, Finance and Management**

1. Description of the subject

- Topics in Macroeconomics II
- Total credits: 3 ECTS
- Term: 2nd
- Type of subject: Optative
- Department of Economics and Business
- Teaching team: Fernando Broner

Code: 32081
Workload: 75 hours

2. Teaching guide

◉ Introduction

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 biased towards theory relative to empirics and towards financial markets relative to macro issues.

Barcelona GSE- Economics Programme students can take this course only if approved by Prof. Broner.

Although I will not follow a textbook, I will cover some chapters from Obstfeld, M., and K. Rogoff, Foundations of International Macroeconomics, MIT Press, 1996 (OR)

◉ Contents

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.

Coeurdacier, N., S. Guibaud, and K. Jin, "Credit Constraints and Growth in a Global Economy," *American Economic Review*, 2015.

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.

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.

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

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," *Review of Economic Studies*, 2013.

Alfaro, L., S. Kalemli-Ozcan, and V. Volosovych, "Sovereigns, Upstream Capital Flows, and Global Imbalances," *Journal of the European Economic Association*, 2014.

* 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.

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

V. Sovereign Risk

* OR. Chapter 6.1.

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.

Grossman, H., and J. Van Huyck, "Sovereign Debt as a Contingent Claim: Excusable Default, Repudiation, and Reputation," *American Economic Review*, 1988.

* Cruces, J., and C. Trebesch, "Sovereign Defaults: The Price of Haircuts," *American Economic Journal: Macroeconomics*, 2013.

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.

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 Globalization," *Quarterly Journal of Economics*, 2016.

* Gennaioli, N., A. Martin, and S. Rossi, "Sovereign Default, Domestic Banks and Financial Institutions," *Journal of Finance*, 2014.

Gennaioli, N., A. Martin, and S. Rossi, "Government Default, Bonds, and Bank Lending Around the World: What do the Data Say?" mimeo, 2016.

Martin, A. and F. Tadei, "International Capital Flows and Credit Market Imperfections: A Tale of Two Frictions," *Journal of International Economics*, 2013.

Brutti, F., and P. Sauré, "Transmission of Sovereign Risk in Euro Crisis," *Journal of International Economics*, 2015.

Acharya, V., I. Drechsler, and P. Schnabl, "A Pyrrhic Victory? Bank Bailouts and Sovereign Credit Risk," *Journal of Finance*, 2014.

Acharya, V., and Rajan, R., "Sovereign Debt, Government Myopia, and the Financial Sector", *Review of Financial Studies*, 2013.

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

VII. Sovereign debt crises

* Broner, F., A. Erce, A. Martin, and J. Ventura, "Sovereign Debt Markets in Turbulent Times: Creditor Discrimination and Crowding-Out Effects," *Journal of Monetary Economics*, 2014

* 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.

Chamon, M., "Can Debt Crises Be Self-fulfilling?" *Journal of Development Economics*, 2007.

Arellano, C., and A. Ramanarayanan, "Default and the Maturity Structure of Sovereign Bonds," *Journal of Political Economy*, 2012

* Broner, F., G. Lorenzoni, and S. Schmukler, "Why Do Emerging Economies Borrow Short Term?" *Journal of the European Economic Association*, 2013.

OR. Chapter 6.2

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

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," *Economic Policy*, 2015.

Reinhart, C., and C. Trebesch, "Sovereign Debt Relief and its Aftermath," *Journal of the European Economic Association*, 2016