

# Topics in Macroeconomics V: International Finance

2020-21 Academic Year  
Master of Research in Economics, Finance and Management

## 1. Description of the subject

- Topics in Macroeconomics V
  - Total credits: 3 ECTS
  - Type of subject: Optative
  - Department of Economics and Business
  - Teaching team; Fernando Broner ([fbroner@crei.cat](mailto:fbroner@crei.cat), 23.305, office hours by appointment)
- Code: 32084  
Workload: 75 hours  
Term: 3rd

## 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. 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)

Students from the Barcelona GSE can take this course if they receive authorization from their Program Director

### 🌀 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, "Banks, Government Bonds, and Default: What Do the Data Say?" mimeo, 2016.

Martin, A. and F. Taddei, "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.

### Assessment

Final Exam