



**UNIVERSITÀ  
DEGLI STUDI DI MILANO-BICOCCA**

## **COURSE SYLLABUS**

### **International Financial Markets**

2122-2-F1601M060

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#### **Learning objectives**

This course will cover selected topics in international finance. These topics comprise: (1) Financial globalization and its effects (2) Sovereign Debt (3) The role and the effectiveness of the IMF in managing globalization.

#### **Contents**

##### **I: FINANCIAL GLOBALIZATION AND ITS EFFECTS**

- i) Basic facts and theories**
- ii) The Effects of Financial Globalization. Capital Flows and Financial Frictions**

##### **II: SOVEREIGN DEBT**

- i) Introduction**
- ii) Incentives: Sanctions and reputation, costs of default**
- iii) Distortions: Debt overhang; Debt structure: maturity and foreign currency composition**
- iv) Remedies: Debt Restructuring And Debt Relief**

##### **III: INTERNATIONAL FINANCIAL ARCHITECTURE AND THE ROLE OF THE IMF**

- i) Introduction**

## ii) Participation

## iii) Implementation and Effects

## Detailed program

### INTERNATIONAL FINANCIAL MARKETS

#### I: FINANCIAL GLOBALIZATION AND ITS EFFECTS

##### i) Basic facts and theories

Alfaro Laura & Sebnem Kalemli-Ozcan & Vadym Volosovych, 2008. Why Doesn't Capital Flow from Rich to Poor Countries? An Empirical Investigation, *The Review of Economics and Statistics*, 90(2): 347-368

Lucas, Robert E. Jr., 1990, "Why doesn't capital flow from rich to poor countries?" *The American Economic Review*, 80(2): 92-96.

Obstfeld, Maurice and Alan M. Taylor, (2017) *International Monetary Relations: Taking Finance Seriously, Journal of Economic Perspectives—Volume 31, Number 3—Summer 2017—Pages 3-28*

Reinhart, Carmen M. and Kenneth Rogoff, 2004, Serial Default And The "Paradox" of rich to poor capital flows, *American Economic Review*, 94.

Reinhart C.M. and Kenneth S. Rogoff (2009) *This Time It's Different: Eight Centuries of Financial Folly*. (Princeton: Princeton University Press, September 2009)

##### ii) The Effects of Financial Globalization. Capital Flows and Financial Frictions

Furceri, Davide, Prakash Loungani and Jonathan D. Ostry, (2017) *The Aggregate And Distributional Effects Of Financial Globalization: Evidence From Macro And Sectoral Data*, IMF WP

Kose, A., E. Prasad, K. Rogoff, and S. Wei, (2009) "Financial globalization: A reappraisal," IMF Staff papers

Prasad E. and R. Rajan (2008) "Pragmatic Approach to Capital Account Liberalization" *Journal of Economic Perspectives—Volume 22, Number 3—Summer 2008—Pages 149-172*

Rajan, Raghuram G. and Luigi Zingales (1998), "Financial Dependence and Growth." *American Economic Review*, Vol. 88, No. 3, pp. 559-586

#### II: SOVEREIGN DEBT

##### i) Introduction

Panizza U., Sturzenegger F. and J. Zettelmeyer (2009) *The Economics and Law of Sovereign Debt and Default*. *Journal of Economic Literature* 47(3), 1-47.

##### ii) Incentives: Sanctions and reputation, costs of default

Borensztein E. and U. Panizza (2009) *The costs of sovereign default*. IMF Staff Papers 56 (4), 683-741

Cruces J. J. and C. Trebesch (2013) *Sovereign Defaults: The Price of Haircuts*. *American Economic Journal: Macroeconomics* 5, 85-117

Levy Yeyati E. and U. Panizza (2011) *The Elusive Costs of Sovereign Defaults*. *Journal of Development Economics* 94, 95-105.

Reinhart C. M. and K.S. Rogoff (2009) *This Time is Different: Eight Centuries of Financial Follies*. Princeton University Press.

Trebesch C. and M. Zabel (2017). *The Output Costs of Hard and Soft Sovereign Default*. *European Economic Review*. 92: 416-432

##### iii) Distortions: Debt overhang; Debt structure: maturity and foreign currency composition

Gelos, G., R. Sahay, and G. Sandleris, (2011) "Sovereign borrowing by developing countries: What determines market access?"

Journal of International Economics, 82(2), 243-254.

Hausmann R. and U. Panizza (2003) "On the determinants of Original Sin: an empirical investigation." *Journal of International Money and Finance*, 22, pp. 957-990.

Krugman P. (1988) "Financing versus forgiving a debt overhang." *Journal of development economics*, 29:3, pp. 253-68.

Presbitero Andrea and Ugo Panizza, (2013), Public debt and economic growth in advanced economies: A survey", *Swiss Journal of Economics and Statistics*, 149(II): 175-204

Reinhart, Carmen M and Kenneth S Rogoff (2010), "Growth in a Time of Debt" *American Economic Review*, May

Herndon Thomas, Michael Ash and Robert Pollin (2013) Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff. Forthcoming in *Cambridge Journal of Economics*

iv) Remedies: Debt Restructuring And Debt Relief

Arslanalp S., P.B. Henry (2005) "Is debt relief efficient?" *Journal of finance*, 62: 2, pp. 1017-051.

Marchesi, S., J.P. Thomas (1999) "IMF conditionality as a screening device" *The Economic Journal*, 1999, 109, 111-125

Marchesi, S. (2003). Adoption of an IMF programme and debt rescheduling. An empirical analysis. *Journal of Development Economics*, 70(2), 403-423.

Reinhart, C. M. and C. Trebesch (2016). Sovereign Debt Relief and its Aftermath. *Journal of the European Economic Association*, 14(1): 215-251

### III: INTERNATIONAL FINANCIAL ARCHITECTURE AND THE ROLE OF THE IMF

#### Introduction

Reinhart Carmen M and Christoph Trebesch, 2016, [The International Monetary Fund: 70 Years of Reinvention](#), *Journal of Economic Perspectives*, Symposium: The Bretton Woods Institutions. Volume 30: 3-28.

International Monetary Fund, "About the IMF," Available on-line: <http://www.imf.org/external/about.htm>

#### i) Participation

Dreher, A., J.E. Sturm, and J.R. Vreeland (2009) "Global Horse Trading: IMF loans for votes in the United Nations Security Council." *European Economic Review* 53: 742-757.

Dreher, A, and N.M., Jensen (2007) "Independent Actor or Agent? An Empirical Analysis of the Impact of U.S. Interests on IMF Conditions." *Journal of Law and Economics*, 50, 105-124.

Dreher, A., S. Marchesi and J.R. Vreeland (2008) "The political economy of IMF forecasts," *Public Choice*, 137, 145-171

Marchesi, S., and L. Sabani (2007a). IMF concern for reputation and conditional lending failure: Theory and empirics. *Journal of Development Economics*, 84, 640-666.

#### ii) Implementation and Effects

Barro, R.J. and Lee, J.W. (2005) "IMF-programs: Who is chosen and what are the effects?" *Journal of Monetary Economics*, 52, 1245-1269.

Marchesi S. and E. Sirtori (2011) "Is two better than one? Effects on growth of Bank-Fund interaction", *Review of International Organization*, 2011, Volume 6, pp 287-306

Marchesi, S., L. Sabani and A. Dreher (2011) "Read my lips: the role of information transmission in multilateral reform design", *Journal of International Economics*, 2011, Volume 84, pp. 86-98

## Prerequisites

Knowledge of the fundamental concepts of microeconomics and macroeconomics as well as basic tools of econometrics is required

## **Teaching methods**

Lectures

## **Assessment methods**

Written exam (90 minutes, open questions) and assessment of the students' econometric projects

## **Textbooks and Reading Materials**

There is no official textbook. Selected papers, book chapters and some optional readings are listed in the syllabus of the course.

## **Semester**

Second semester

## **Teaching language**

English

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