UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

International Financial Markets

2122-2-F1601M060

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 Stiffle 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