

Syllabus for lecture: Financial Economics I

Summer term 2018 – subject to slight changes

Lecture:	Prof. Dr. Philip Sauré Time: Wednesday 16:15 – 17:45 Room: 00 235 RW 4
Tutorial 1:	Prof. Dr. Philip Sauré Time: Tuesday 16:15 – 17:45 Room: 00 181 P5
Tutorial 2:	TBA Time: Thursday 10:15 – 11:45 Room: 00 235 RW 4

Textbooks

Obstfeld, Maurice and Kenneth S. Rogoff. Foundations of international macroeconomics. Cambridge, MA: MIT press, 1996.

Harms, Philipp (2016): International Macroeconomics, 2nd edition, Tübingen (Mohr Siebeck).

I. International borrowing and lending – basic motives

Required readings

OR: Chapter 5 (pp. 269 – 291)

Optional readings

French, Kenneth R., and James Michael Poterba 1991. "Investor Diversification and International Equity Markets." American Economic Review 81.2 222-226.

Bottazzi, Laura, Paolo Pesenti, and Eric Van Wincoop 1996. "Wages, profits and the international portfolio puzzle." European Economic Review 40.2 219-254.

Brennan, Michael J., and H. Henry Cao 1997: "International portfolio investment flows." Journal of Finance 52.5, 1851-1880.

Van Nieuwerburgh, Stijn, and Laura Veldkamp 2009: "Information immobility and the home bias puzzle." Journal of Finance 64.3, 1187-1215.

Obstfeld, Maurice, and Kenneth Rogoff 2000: "The six major puzzles in international macroeconomics: is there a common cause?." NBER macroeconomics annual 15, 339-390.

Coeurdacier, Nicolas, and Helene Rey 2012. "Home bias in open economy financial macroeconomics." Journal of Economic Literature 51.1 63-115.

II. Sovereign solvency

Required readings

Harms, p 231 - 238

Optional readings

Reinhart, Carmen M., Kenneth S. Rogoff, and Miguel A. Savastano 2003: Addicted to dollars. NBER WP 10015.

Blanchard, Olivier Paolo Mauro, Julien Acalin 2016: "The case for growth-indexed bonds in advanced economies today" Voxeu Column

IMF Country Report 2016: Greece. Preliminary Debt Sustainability Analysis – Updated Estimations and Further Considerations

III. Sovereign borrowing, enforcement and the willingness to pay

Required readings

OR, pp. 349 - 362

Optional readings

Bulow, Jeremy, and Kenneth Rogoff 1989 "A constant recontracting model of sovereign debt." *Journal of political Economy* 97.1 155-178.

Cole, Harold L., and Patrick J. Kehoe 1998. "Models of sovereign debt: Partial versus general reputations." *International Economic Review* 55-70.

Amador, Manuel 2003. "A political economy model of sovereign debt repayment." Manuscript, Stanford University

European Commission 2018: Debt Sustainability Monitor 2017, Institutional Paper 071

IV. Costs of sovereign default

Required readings

Harms, pp. 238 - 249

Borensztein, Eduardo, and Ugo Panizza 2009. "The costs of sovereign default." *IMF Staff Papers* 56.4 683-741.

Optional readings

Aguiar, Mark, and Manuel Amador 2014. "Sovereign debt." *Handbook of International Economics*. Vol. 4. Elsevier, 647-687.

Trebesch, Christoph, and Michael Zabel 2017. "The output costs of hard and soft sovereign default." *European Economic Review* 92 416-432.

Broner, Fernando, Alberto Martin, and Jaime Ventura 2010. "Sovereign risk and secondary markets." *American Economic Review* 100.4 1523-55.

Broner, Fernando, et al. 2014 "Sovereign debt markets in turbulent times: Creditor discrimination and crowding-out effects." *Journal of Monetary Economics* 61 114-142.

Brutti, Filippo, and Philip Sauré 2016 "Repatriation of debt in the euro crisis." *Journal of the European Economic Association* 14.1 145-174.

Tomz, Michael, and Mark LJ Wright 2007 "Do countries default in 'bad times'?" *Journal of the European Economic Association* 5.2-3 352-360.

V. Sovereign Debt and Banking Crises

Required readings

Borensztein, Eduardo, and Ugo Panizza 2009, Part V "The costs of sovereign default." *IMF Staff Papers* 56.4 683-741.

Optional readings

Brutti, Filippo 2011. "Sovereign defaults and liquidity crises." *Journal of International Economics* 84.1 65-72.

Arslanalp, Serkan, and Takahiro Tsuda 2014. "Tracking global demand for advanced economy sovereign debt." *IMF Economic Review* 62.3 430-464.

VI. Contagion and Transmission of Sovereign Default Risk

Required readings

Kaminsky, Graciela L., and Carmen M. Reinhart 2000. "On crises, contagion, and confusion." *Journal of International Economics* 51.1 145-168.

Optional readings

Forbes, Kristin J., and Roberto Rigobon 2002. "No contagion, only interdependence: measuring stock market comovements." *The Journal of Finance* 57.5 2223-2261.

Corsetti, Giancarlo, Marcello Pericoli, and Massimo Sbracia 2005. "'Some contagion, some interdependence': More pitfalls in tests of financial contagion." *Journal of International Money and Finance* 24.8 1177-1199.

Forbes, Kristin J., and Menzie D. Chinn 2004. "A decomposition of global linkages in financial markets over time." *Review of Economics and Statistics* 86.3 705-722.

Brutti, Filippo, and Philip Sauré 2015. "Transmission of sovereign risk in the euro crisis." *Journal of International Economics* 97.2 231-248.

VII. Roll-Over Debt Crises

Required readings

Harms, p 249 - 253

Optional readings

Cole, Harold L., and Timothy J. Kehoe 1996. "A self-fulfilling model of Mexico's 1994-1995 debt crisis." *Journal of International Economics* 41.3-4 309-330.

Morris, Stephen, and Hyun Song Shin 1998. "Unique equilibrium in a model of self-fulfilling currency attacks." *American Economic Review* 587-597.

Additional Readings:

Reinhart, Carmen M., and Kenneth S. Rogoff 2009. *This time is different: Eight centuries of financial folly*. princeton university press