

Syllabus for lecture: Financial Economics II

Winter term 2019/20 – subject to slight changes

Lecture: Prof. Dr. Philip Sauré
Room:
00 245 RW 3
Time: Monday 12:15 – 13.45
Tutorial 1: Leandro Navarro
Room: 00 311 HS VI
Time: Tuesday 16.45 – 17.45
Tutorial 2: Leandro Navarro
Room: 00 311 HS VI
Time: Wednesday 8:30 – 10:00

Main Course Material

Gopinath, Gita, Elhanan Helpman, and Kenneth Rogoff, eds. Handbook of international economics. Vol. 4. Elsevier, 2014.

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

Course Chapters

I. International borrowing and lending – basic concepts and stylized facts

Keywords: Balance of Payments (BOP), Current Account (CA), International Investment Position (IIP)

Readings:

Harms, Chapter 2

Optional readings

Chinn, M.D., Prasad, E.S., 2003. Medium-term determinants of current accounts in industrial and developing countries: an empirical exploration. *Journal of International Economics* 59 (1), 47–76.

Gourinchas, P. O., & Rey, H. 2014. External adjustment, global imbalances, valuation effects, Chapter 10. In *Handbook of International Economics*

II. Determinants of Global Imbalances

Keywords: intertemporal optimization, consumption smoothing, distortions, sudden stops, speculative attacks

Readings:

Harms, Chapter X

Gourinchas, P. O., & Rey, H. 2014. External adjustment, global imbalances, valuation effects, Chapter 10. In Handbook of International Economics

Krugman, P. (1979) "A model of balance-of-payments crises." *Journal of money, credit and banking* 11.3 (1979): 311-325.

Calvo, G. 1998: Capital Flows and Capital-Market Crises: The Simple Economics of Sudden Stops, *Journal of Applied Economics*

Optional readings

Blanchard, O. and G. Milesi-Feretti 2012: (Why) Should Current Account Balances Be Reduced? *IMF Economic Review*

Bernanke, Ben. 2005. The global saving glut and the US current account deficit. No. 77. Board of Governors of the Federal Reserve System (US)

Gourinchas, P.O., Rey, H., 2007. From world banker to world venture capitalist: US external adjustment and the exorbitant privilege G7 Current Account Imbalances: Sustainability and Adjustment. University of Chicago Press, 11–66.

Rothenberg, A. D., and F. E. Warnock. 2011. "Sudden flight and true sudden stops." *Review of International Economics*

III. Measurement Issues

Keywords: rate of return, exorbitant privilege, dark matter, inflation, retained earnings, tax evasion

Optional readings

Hausmann, R., & Sturzenegger, F. 2007. The missing dark matter in the wealth of nations and its implications for global imbalances. *Economic policy*

Fischer, A., Groeger, H., Sauré, P., and Yesin, P. 2018. Current account adjustment and retained earnings. *Journal of International Money and Finance*

Zucman, Gabriel. 2013 "The missing wealth of nations. 2013: Are Europe and the US net debtors or net creditors?" *Quarterly Journal of Economics*

Curcuru, S. E., Dvorak, T., and Warnock, F. E. 2008. Cross-border returns differentials. *Quarterly Journal of Economics*, 123(4), 1495-1530.

IV. External Adjustment – Empirics and Theory

Keywords: (empirics) channels of adjustment, trade balance, nominal exchange rate, real exchange rate, panel estimations, (theory) wage, real wage, real exchange rate, varieties, Home Market Effect, transfer effect, secondary burden.

Readings:

Lane, Philip R., and Gian Maria Milesi-Ferretti. "External adjustment and the global crisis." *Journal of International Economics* 88.2 (2012): 252-265.

Dekle, Robert, Jonathan Eaton, and Samuel Kortum. 2007 "Unbalanced trade." *American Economic Review* 97.2: 351-355.

Corsetti, Giancarlo, Philippe Martin, and Paolo Pesenti. "Varieties and the transfer problem." *Journal of International Economics* 89.1 (2013): 1-12.

Optional readings

Phillips, Steven, et al. 2013 "The external balance assessment (EBA) methodology."

Lee, Mr Jaewoo, et al. 2008 *Exchange rate assessments: CGER methodologies*. No. 261. International Monetary Fund

Gourinchas, P.-O. and H. Rey 2007. "International financial adjustment." *Journal of Political Economy*

Dekle, Robert, Jonathan Eaton, and Samuel Kortum. 2008 "Global rebalancing with gravity: measuring the burden of adjustment." *IMF Staff Papers* 55.3: 511-540.

Chinn, M. D., & Wei, S. J. 2013. A faith-based initiative meets the evidence: does a flexible exchange rate regime really facilitate current account adjustment?. *Review of Economics and Statistics*

Obstfeld, M., Rogoff, K., 2005. Global current account imbalances and exchange rate adjustments. *Brookings Papers on Economic Activity* 1, 67–123.

V. Exchange Rates Pass-Through

Keywords: J-Curve, ERPT, Nominal Exchange Rate, Price Rigidities, Invoicing currency

Readings

Burstein, A., and Gopinath, G. 2014. International prices and exchange rates. In *Handbook of International Economics*

Optional readings

Atkeson, A., & Burstein, A. 2008. Pricing-to-market, trade costs, and international relative prices. *American Economic Review*

Corsetti, G., and Dedola, L. 2005. A macroeconomic model of international price discrimination. *Journal of International Economics*, 67(1), 129-155.

Gopinath, G., Itskhoki, O., and Rigobon, R. 2010. Currency choice and exchange rate pass-through. *American Economic Review*

Auer, Raphael A. and Philip Sauré 2017. "Dynamic entry in vertically differentiated markets." *Journal of Economic Theory*

Auer, R. A., and Schoenle, R. S. 2016. Market structure and exchange rate pass-through. *Journal of International Economics*

Devereux, M. B., Dong, W., and Tomlin, B. 2017. Importers and exporters in exchange rate pass-through and currency invoicing. *Journal of International Economics*

Bonadio, B., Fischer, A. M., & Sauré, P. U. 2016. The speed of exchange rate pass-through. *Journal of the European Economic Association*, forthcoming

Goldberg, L. S., and Campa, J. M. (2010). The sensitivity of the CPI to exchange rates: Distribution margins, imported inputs, and trade exposure. *Review of Economics and Statistics*

Amiti, M., Itskhoki, O., and Konings, J. 2014. Importers, exporters, and exchange rate disconnect. *American Economic Review*