

International Economics Development Economics

Academic year 2021-2022

Advanced International Macroeconomics B: Policies to Harness Financial Globalisation

EI090 - Printemps - 3 ECTS

Course Description

This course provides a graduate-level treatment of research on international financial integration, with an emphasis on empirical works. The course reviews recent developments in macroeconomics, with emphasis on open economy questions, in order to help students identify research topics.

It documents the rising extent of financial linkages and the associated 'valuation effects' of asset prices on countries' wealth. It then considers research on the global financial cycle and whether the exchange rate regime can help absorb capital flows. The course then considers the development of international banking activity and its impact on policy transmission. It considers situations in which borrowing can be socially excessive, and concludes with a review of the use and effectiveness of international reserves, capital controls, and macroprudential policies.

The first part of the course consists of lectures. The second part consists of presentations of papers from the reading list (with the option to propose a paper not on the list that you would be particularly interested in presenting).

> PROFESSOR

[Cédric Tille](#)

[Office hours](#)

> ASSISTANT

[Office hours](#)

Syllabus

Evaluation

The evaluation consists of the presentations of a paper from the reading list (40% of grade), a short review of one of the topics (40% of grade) and participation in the classwide discussion (20% of grade). Each presentation lasts 30 minutes and goes over the main points of the paper. Each student will make

one presentation. Preferences should be indicated by the end of the third week, and I will then put together the schedule ensuring an even coverage of topics.

Each student will also write a short review at the end of the course on a topic of her/his choice. The review should be a concise (5-6 pages) discussion of the recent advances in a topic, identifying what has been learnt and what are the remaining challenges. This review can form the basis of the literature review of your MPT or one of your chapters.

1) International financial integration

1.1) Patterns of international financial integration

Avdjiev, Stefan, Mary Everett, Philip Lane, and Hyun Song Shin (2018). "Tracking the international footprints of global firms", *BIS Quarterly Review*, March, pp. 47-66.

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1.2) Valuation effects and the "exorbitant privilege"

Adams, Jonathan, and Philip Barrett (2021). "Why are countries' asset portfolios exposed to nominal exchange rates?", *Journal of International Money and Finance* 110.

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Bénétrix, Agustin, Philip Lane, and Jay Shambaugh (2015). "International currency exposures, valuation effects and the global financial crisis," *Journal of International Economics* 96(S1), 98-109.

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Galstyan, Vahagn, Caroline Mehigan, and Rogelio Mercado (2020). "The currency composition of international portfolio assets", *Journal of International Money and Finance* 103.
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Gourinchas, Pierre-Olivier and Hélène Rey (2013). "External Adjustment, Global Imbalances and Valuation Effects", NBER working paper 19240.
<http://www.nber.org/papers/w19240>

Herkenhoff, Philipp, and Philip Sauré (2020). "How Expected Inflation Distorts the Current Account and the Valuation Effect", CEPR discussion paper 15469.
https://cepr.org/active/publications/discussion_papers/dp.php?dpno=15469

1.3) Global imbalances

Alberola, Enrique, Angel Estrada, and Francesca Viani (2020). "Global imbalances from a stock perspective: The asymmetry between creditors and debtors", *Journal of International Money and Finance* 107.
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Coppola, Antonia, Matteo Maggiori, Brent Neiman, and Jesse Schreger (2020). "Redrawing the Map of Global Capital Flows: The Role of Cross-Border Financing and Tax Havens", CEPR discussion paper 14508
https://cepr.org/active/publications/discussion_papers/dp.php?dpno=14508

Devereux, Michael, Makoto Saito, and Changhua Yu (2020). "International capital flows, portfolio composition, and the stability of external imbalances", *Journal of International Economics* 127.
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International Monetary Fund (2014). "Are Global Imbalances at a Turning Point?", *World Economic Outlook* chapter 4.
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1.4) Patterns and drivers of international capital flows

Avdjiev, Stefan, Brian Hardy, Sebnem-Kalemli-Ozcan, and Luis Servén (2017). "Gross Capital Inflows to Banks, Corporates and Sovereigns", NBER working paper 23116.
<http://www.nber.org/papers/w23116>

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2) Global financial cycle, and the trilemma

2.1) The global financial cycle

- Adrian, Tobias, Daniel Stackman, and Erik Vogt (2019). "Global Price of Risk and Stabilization Policies", *IMF Economic Review* 67(1) pp. 215-260.
<https://link.springer.com/content/pdf/10.1057%2Fs41308-019-00075-3.pdf>

- Avdjiev, Stefan, Valentina Bruno, Catherine Koch, and Hyun Song Shin (2019). "The Dollar Exchange Rate as a Global Risk Factor: Evidence from Investment" *IMF Economic Review* 67(1) pp. 151-173.
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- Cecchetti, Stephen, Tommaso Mancini-Griffoli, Machiko Narita, and Ratna Sahay (2020) "US or Domestic Monetary Policy: Which Matters More for Financial Stability?", *IMF Economic Review* 68, pp. 35-65.
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- Cerutti, Eugenio, Stijn Claessens, and Andrew Rose (2019). "How Important is the Global Financial Cycle? Evidence from Capital Flows" *IMF Economic Review* 67(1) pp. 24-60.
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- Miranda-Agrippino, Silvia, and H el ene Rey (2019). "US Monetary Policy and the Global Financial Cycle", NBER working paper 21722.
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2.2) The international trilemma vs. dilemma

Aizenman, Joshua (2019). "International Reserves, Exchange Rates, and Monetary Policy: From the Trilemma to the Quadrilemma", Oxford research encyclopedia.
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Farhi, Emmanuel, and Iván Werning (2014). "Dilemma Not Trilemma? Capital Controls and Exchange Rates with Volatile Capital Flows", *IMF Economic Review* 62, pp. 569-605.
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2.3) International reserves

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3) International banking

3.1) Transmission through banks

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3.2) Recent developments

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