

CGU Econ 358 Advanced Topics in International Money and Finance

Tuesdays 4-6:50, Burkle 12

Spring 2014

Professor Thomas Willett Thomas.Willett@cgu.edu

Harper Hall E. 206,

CGU Office Hours: Tuesday 2:30-4 PM and by appointment

CMC Office Hours: M W 4-5 PM Bauer 106

This course covers selected topics in international money and finance in greater detail than in Econ 350. In addition to helping with preparation for the International Money and Finance qual. During the course students should develop greater skills at critically evaluating research and policy literature in the area of international money and finance, develop a better knowledge of professional developments in a number of subfields of international money and finance including a focus on new approaches that help us analyze the behavior of financial markets that lie between wild irrationality and the well informed, far sighted rational expectations views incorporated into many economic models. Students will also develop experience in judging what are interesting research issues and ways to go about researching them, including pitfalls to avoid, and practice in developing research proposals. The selection of topics emphasized depends in part on particular student interests, which are discussed at the beginning of the semester. Students will prepare critiques of several professional papers and a term paper that begins to scope out a potential dissertation topic. (This need not be confined to a topic in international money and finance per se).

The term paper involves the development of a partial proposal for a research project (which may but is not required to be the student's likely dissertation topic). The term paper will include a clear statement of the issue(s) that would be addressed, a critical analysis of several previous pieces of research on this topic and a discussion of how the proposed project would go beyond these studies. There will be a final. Whether there will be midterm will depends on how the class develops. To facilitate the development of research skills the class members are encouraged to attend the dissertation workshop in international money and financial economic. Students are recommended to start attending this workshop as frequently as possible.

The following are a preliminary list of readings. They may be updated as the semester progresses and the order of topics may be revised. Starred (*) items are required readings.

LEARNING OBJECTIVES

By completion of the course students should develop

a deeper understanding of several advanced topics in international money and finance such as theories of currency and financial crises and their empirical investigation, optimal currency area analysis, applications of political economy analysis to international monetary

issues such as the causes of delayed policy adjustments and evaluation of the effectiveness of exchange rate regimes and international financial markets as sources of discipline, and recent analysis of possible causes of imperfect market behavior

knowledge about new data sets on measures of monetary and financial policies such as capital controls, exchange rate regimes and financial liberalization, and international financial developments such as currency and financial crises and about some of the key conceptual issues involved in constructing such measures

an understanding of a number of techniques for measuring international monetary and financial interactions such as business cycle synchronization, interest rate interdependence, and contagion

a deeper understanding of how to go about evaluating the strengths and weaknesses of professional literature and policy analysis

more experience in applying theory and empirical evidence to analyze real world issues

and better knowledge of how to develop and present plans for research proposals such as professional papers, business and government reports, and dissertations

Reading List

Required readings are standard

I. An Overview of Major Research Issues in International Money and Finance

A. Implications of the Global Financial Crisis and recent research developments for open economy, macro and international monetary and financial analysis

*Willett, T. (2010) "Some Lessons for Economists from the Financial Crisis." Indian Growth and Development Review

Cochrane, J. "How did Paul Krugman Get It So Wrong?" (For copies of this, google John H. Cochrane.)

David Colander, et al., 2009. "The Financial Crisis and the Systemic Failure of Academic Economics," Kiel Working Papers 1489, Kiel Institute for the World Economy.

Krugman, P. (2009) "How Did Economists Get It So Wrong?" New York Times, September 2.

B. Examples of recent Claremont Research

During the first month of class students should look through:

Willett, T. et al. (2009) The Global Crisis and Korea's International Financial Policies, *Korean Economic Institute and the Journal of Financial Economic Policy* Special Issue: International Comparisons of Financial Policies and their Interactions. Guest editors: Thomas D. Willett and Apanard P. Angkinand.

Table of Contents I - Vol. 3, Issue 4, November 2011.

Classifying International Aspects of Currency Regimes.

Thomas Willett, Eric M.P. Chiu, Sirathorn (B.J.) Dechsakulthorn, Ramya Ghosh, Bernard Kibesse, Kenneth Kim, Jeff (Yongbok) Kim, Alice Ouyang (pp. 288-303).

Sudden Stops and Currency Crises.

Levan Efremidze, Samuel M. Schreyer, Ozan Sula (pp. 304-321).

International Comparisons of Bank Regulation, Liberalization, and Banking Crises.

Puspa Amri, Apanard P. Angkinand, Clas Wihlborg (pp. 322-339).

Fiscal and Monetary Institutions and Policies: Onward and Upward?

Richard C.K. Burdekin, King Banaian, Mark Hallerberg, Pierre L. Siklos (pp. 340-354).

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Measures of Financial Openness and Interdependence

William R. Clark, Mark Hallerberg, Manfred Keil, Thomas D. Willett

A Survey of Measurements of Interdependence

Linyue Li, Nan Zhang Thomas D. Willett,

These contain contributions from current and former Claremont PhD students on a number of important research topics in international money and finance. While these give a far from exhaustive list of good potential research topics, reading through this volume should help students start thinking about research and the survey papers on topics they might be interested in.

II. Dilemmas, Trilemmas, and the Structure of International and Regional Monetary and Financial Systems

*Willett, "Notes on International Monetary Systems"

*Willett, "Some Propositions Relevant to the Debate Over Reform of the International Financial Architecture"

*Willett (1977), "*Floating Exchange Rates and International Monetary Reform*" Washington, D.C.: American Enterprise Institute for Public Policy Research, chapter 1 and page 69-91

Barry Eichengreen (2009), "Global Imbalances and the Lessons of Bretton Woods", NBER Working Paper 10497.

Bird, G and Willett, "Global Imbalances and the Lessons of Bretton Woods: A Review Essay", *World Economics* July-September 2008, Volume 9, No.3, pp. 229-233.

Cooper, Richard N. (2007). "Understanding the Global Imbalances", (This paper draws from "Living with Global Imbalances." *Brookings Papers on Economic Activity*, 2007, 2: 91–107.

Graham Bird and T., Willett, "Currency Wars: Rhetoric and Reality," *World Economics*, Vol. 12, No.4, 2011, pp. 121-136.

Helene Rey (2013), "Dilemma Not Trilemma", Kansas City Fed Economic Policy Conference.

Michael P. Dooley, David Folkerts-Landau and Peter Garber (2003), "An Essay on The Revived Bretton Woods System", NBER Working Paper 9971.

Willett, T. D. and Chiu, E. M. P. (2012), "Power relationships and the political economy of global imbalances," *Global Economic Review*, 41(4), pp. 341-360.

Willett and Srisorn (2011), "The Political Economy of the Euro Crisis: Cognitive Biases, Faulty Mental Models, and Time Inconsistency", *Journal of Economics and Business* (forthcoming). An earlier version was presented at the Federal Reserve Bank of Atlanta's Conference on Sovereign Debt Issues, November 28–29, 2011.

Willett, T.D. (1983), "The Functioning of the Current International Financial System: Strengths, Weaknesses, and Criteria for Evaluation," presented at the International Monetary Fund Conference on International Money, Credit, and the SDR, Spring 1983, in George M. von Furstenberg (ed.), *International Money and Credit: The Policy Roles*, Washington, D.C.: *International Monetary Fund*, 1983, 5-44.

III. Open Economy Analysis is Important But Can Be Exaggerated -- A Brief Review of the Open Economy Macro Models and Their Applications to the Issues of Global Imbalances and Currency Wars

*Michael Pettis (2013), "*The Great Rebalancing: Trade, Conflict, and the Perilous Road Ahead for the World Economy*", Princeton University Press. Chapter 1 and Chapter Summaries.

*Pilbeam, K (2006) *International Finance*, 3rd edn
Reread relevant chapters from Econ 350.

*Willett, T., "Notes on Some Key Differences in Assumptions of Major Macro Schools of Thoughts"

*Willett, T., “Handout of Concepts of Efficiency in Foreign Exchange Market”

*Willett, T., “Notes on Exchange Rate Analysis”

*Willett, T., “Notes on Theory of Economic Policy”

*Willett, T., “Notes on Money and Inflation”

*Willett, T., “Notes on Doing Open Economy ISLM”

Some of the following notes may also be useful.

Willett, T., “Handout in Devaluation Formulas”

Willett, T., “Notes on Aspects of the Pros and Cons of Returning to a Fixed Exchange Rate System”

Willett, T., “Notes on Interest Arbitrage and Spot and Forward Speculation”

Willett, T., “Notes on Devaluation and Feedback Effect”

Willett, T., “Points on International Risk Management”

*Machlup, Fritz (1958), “*Equilibrium and Disequilibrium: Misplaced Concreteness and Disguised Politics*”

*Willett, T., Priscilla Liang and Alice Ouyang, “The RMB Debate and International Influencias on China’s Money and Financial Markets” in James Barth and John Tatom, eds., *China’s Emerging Financial Markets: Challenges and Opportunities*, Milken Institute, 2009, pp. 267-301.

*Willett et al. “Measuring Exchange Rate Flexibility,” *Global Journal of Economics*, 2012.

Bird, G. (2012) “Dealing with global economic imbalances: The political economy of policy co-ordination”, *Global Economic Review*, 41(4), pp. 299-317.

Martin Wolf (2010), “*Fixing Global Finance*”, The Johns Hopkins University Press.

Mckinnon, R and Schnabl, G, “China and its Dollar Exchange Rate: A Worldwide Stabilizing Influence?”, *The World Economy* (2012), 667-693.

Willett, T., “Global Imbalances and Financial Stability”, *Global Economic Review*, Special Issue: Global Imbalances and Financial Stability, Volume 41, Issue 4, 2012.

IV. Review of Crisis Models and Explanations for Recent Currency and Financial Crises

A. Overview of Crises Models and Experiences

*Eichengreen, Barry (1999) *Toward a New International Financial Architecture: A Practical Post-Asia Agenda*. Appendix B

*Krugman, Paul (1996) “Are Currency Crises Self-Fulfilling?” *NBER Macroeconomics Annual*. And comments.

*Pilbeam, K. (2006) *International Finance*, 3rd edition. Ch. 17 sections 17.1-17.4

*Willett, T.D. and Wihlborg, C, “The Varieties of European Crises”, in Gerald Caprio, ed. *The Encyclopedia of Financial Globalization*, Academic Press, 2013.

*Willett, *et al.* (2008) “Currency Crises” *Princeton Encyclopedia of the World Economy*.

Alan Taylor, Review of Kenneth Rogoff and Carmen Reinhart’s *This Time is Different*, JEL, December 2012.

Kindleberger, Charles and Robert Aliber (2011). “Manias, Panic, and Crashes: A History of Financial Crises,” 6th edition.

Willett, Thomas D. (2000) ‘International Financial Markets as Sources of Crises or Discipline: The Too Much, Too Late Hypothesis,’ *Essays in International Finance*, No. 218, Princeton, May.

B. The Unstable Middle and Two Corner Hypothesis

*Willett et al. (2009) *The Global Crisis and Korea’s International Financial Policies*, Ch. 3

*Willett, T. (2007) “Why the Middle Is Unstable: The Political Economy of Exchange Rate Regimes and Currency Crises” *The World Economy* Vol. 30, no. 5, pp. 709-732.

*Walter, S. and T. Willett (2010) “Delaying the Inevitable: A Political Economy Approach to Currency Defenses and Depreciation.” *Review of International Political Economy*

Angkinand, P., E. Chiu, and T. Willett (2009) “Testing the Unstable Middle and Two Corners Hypotheses about exchange rate regimes” *Open Economies Review* 20: pp. 61-8

Angkinand, P. and T. Willett (2011), "Exchange Rate Regimes and Banking Crises." *International Journal of Economics and Finance*, 2011, vol. 16, issue 3, pages 256-274.

Chiu, Eric and T. Willett, (2009) "The Interactions of Strengths of Governments and Alternative Exchange Rate Regimes in Avoiding Currency Crises" *International Studies Quarterly*, Volume 53, No.4, December , pp. 1001-1025.

Rose, A (2007) "'A Stable International Monetary System Emerges: Inflation Targeting is Bretton Woods, Reversed.'" *Journal of International Money and Finance*.

Willett, T. (2003) "Fear of Floating Needn't Imply Fixed Rates: Feasible Options for Intermediate Exchange Rate Regimes," *Open Economies Review*, Vol. 14, No. 1, January, pp. 71 – 91.

Willett, T. (1998) "The Credibility and Discipline Effects of Exchange Rates as Nominal Anchors" *The World Economy*, August.

C. The Asian Crisis and Contagion

*Furman, Jason and Joseph Stiglitz (1998) "Economic Crises: Evidence and Insights from East Asia." *Brooking Papers on Economic Activity 2*.

*Pilbeam, K. (2006) *International Finance*, 3rd edn
Section 11.12 "Currency Turmoil and Crises Post 1990"
The rest of ch. 17

*Radelet, Stevens and Jeffery Sachs (1998) "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects." *Brooking Papers on Economic Activity 1*.

*Willett, Thomas D. et al. (2009) The Global Crisis and Korea's International Financial Policies Ch 5 "Perverse Financial Liberalization," pp. 58 – 67.

*Willett, Thomas D. et al. (2005) "The Asian Crises Re-Examined," *Asian Economic Papers*, Vol. 3, No. 3, pp. 32 – 87.

Kaminsky, Graciella L., Carmen Reinhart and Carlos A. Vegh, (2003) "The Unholy Trinity of Financial Contagion," NBER Working Papers 10061, October, published in *Journal of Economic Perspectives*, Vol. 17, No. 4, pp. 51-74.

Liang, P. and T. Willett (2009) "Contagion" in *Princeton Encyclopedia of the World Economy*

Willett, Thomas D. et al. (2004) 'The Falsification of Four Popular Hypotheses About International Financial Behavior During the Asian Crisis,' *The World Economy*, No. 27, Issue 1, 25-44, January.

Willett “Notes on Contagion”

D. The Global Financial Crisis

*Liang, P., T. Willett and N.Zhang (2010) “The Slow Spread of the Global Financial Crises” *Journal of International Commerce, Economies and Policy*

*Willett, T.D. (2010), "The Role of Defective Mental Models in Generating the Global Financial Crisis" , *Journal of Financial Economic Policy*, Vol. 4, No. 1, January 2012.

Andrew Lo, “Reading about the financial crisis” *JEL*, Volume 50, issue 1, 2012.

Aizenman, J., and M. Hutchison. 2010. “Exchange Market Pressure and Absorption by International Reserves: Emerging Market and Fear of Reserve Loss During the 2008-09 Crisis” September, University of California Santa Cruz Working Paper available from the Santa Cruz Institute for International Economics (SCIEE).

Berkman, Pelin, Gaston Gelos, Robert Rennhack, and James Walsh (2009)“The Global Financial Crisis: Explaining Cross-Country Differences in the Output Impact,” IMF Working Paper No. 09/280 (Washington: International Monetary Fund). Available at www.imf.org/external/pubs/ft/wp/2009/wp09280.pdf.

Blanchard, Olivier, Mitali Das and Hamid Faruquee (2010),” The Initial Impact of the Crisis on Emerging Market Countries.” *Brookings Papers on Economic Activity*. Spring 2010, pp 263-323

Blinder, Alan (2013), *After the Music Stopped*”, Penguin Press HC.

Claessens, Stijn et al (2010) “Cross-Country Experiences and policy implications from the global financial crisis. *Economic Policy* April, pp. 267-293

Chinn, Menzie and Jeffrey Frieden (2011), *Lost Decades: The Making of America's Debt Crisis and the Long Recovery*, W. W. Norton & Company

Davies, Howard (2010), *The Financial Crisis, Who Is to Blame?* Polity Press, 2010.

Dooley, Michael and Michael Hutchison (2009), “Transmission of the U.S. Subprime Crisis to Emerging Markets: Evidence of the Decoupling-Recoupling Hypothesis”, NBER Working Paper No. 15120.

Frankel, Jeffrey and George Saravelos (2010) “Are Leading Indicators of Financial Crises Useful for Assessing Country Vulnerability? Evidence from the 2008-09 Global Crises.” NBER 16047, June 2010

King, Stephen D.. *When the Money Runs Out: The End of Western Affluence*. Yale University Press. 2013.

Obstfeld, M. and K. Rogoff (2009) “Global Imbalances and the Financial Crisis; Products of Common Causes.” Paper prepared for the Federal Reserve Bank of San Francisco Asia Economic Policy Conference, Santa Barbara, CA, October 18-20, 2009

Reinhart, C. and K. Rogoff (2009) “*This Time Is Different*”, Princeton University Press

Tsangarides, Charalambos (2010) “Crisis and Recovery: Role of the Exchange Rate Regime in Emerging Market Countries.” IMF WP/10/242

E. The Euro Crisis

*Willett, T.D. “The Euro Debt Crisis: It isn’t just fiscal” (with Clas Wihlborg and Nan Zhang). *World Economics*, Vol. 11, No.4, October-December 2010.

*Willett, T.D. and Wihlborg, C, “The Varieties of European Crises”, in Gerald Caprio, ed. *The Encyclopedia of Financial Globalization*, Academic Press, 2013.

*Willett and Srisorn (2011), “The Political Economy of the Euro Crisis: Cognitive Biases, Faulty Mental Models, and Time Inconsistency”, *Journal of Economics and Business* (forthcoming). An earlier version was presented at the Federal Reserve Bank of Atlanta’s Conference on Sovereign Debt Issues, November 28–29, 2011.

David Marsh, *Europe's Deadlock: How the Euro Crisis Could Be Solved - And Why It Won't Happen*, Yale University Press, 2013.

V. An Overview of Alternative Views of the Behavior of Financial Markets: Efficient Markets Hypothesis and its Critics

A. The EMH and criticisms form Behavioral, Neuro and Complexity Economics

*Bernstein, Peter (2007) Capital Ideas Evolving. John Wiley and Sons. Part 1 “The Behavioral Attack.” Chapters 1 and 2.

*Beinhocker, Eric D. (2007) Origin of Wealth: Evolution, Complexity, and the Radical Remaking of Economics. Harvard Business School Press. Chapters 1, 8 and Conclusion.

*Malkiel. Burton G. (2007) A Random Walk Down Wall Street. W.W. Norton & Co. Ch. 10 “Behavioral Finance”.

*Willett, Thomas D. (2010) “George Soros’ Reflexivity and the Global Financial Crisis.” *World Economics* Volume 11, Number 2, p. 207 – 214

B. Some Applications and References

Barberis, Nicholas, and Richard Thaler (2002) "A Survey of Behavioral Finance" NBER Working Papers 9222, September.

De Grauwe, Paul & Rovira Kaltwasser, Pablo (2012) "Animal spirits in the foreign exchange market" *Journal of Economic Dynamics and Control*.

De Grauwe (2010): "Booms and Busts: New Keynesian and Behavioral Explanations", CESifo Working Papers, 3293

Mankiel, Burton (2003) "The Efficient Market Hypothesis and Its Critics." *Journal of Economic Perspectives*, 17(1): 59 – 82.

Posner, Kenneth (2010) Stalking the Black Swan. Columbia Business School Publishing.

Shleifer, Andrei (2000) *Inefficient Markets: An Introduction to Behavioral Finance*. Clarendon Lectures in Economics. New York: Oxford University Press. – Introduction and Concluding Chapters

Schiller, Robert (2003) "From Efficient Markets Theory to Behavioral Finance." *Journal of Economic Perspectives*, 17(1): 83 – 104.

Notes on a number of relevant books are on Willett's web site.

For more readings in this area, see the reading lists for Econ 297 and 337 Behavioral Finance and Risk Management and Econ 339 Complexity and Evolutionary Economics and Finance.

VI. Frameworks for Applying OCA Theory and Political Economy Analysis of Exchange Rate Regimes and Regional Monetary Cooperation

A. Overview

*Willett, T. (2003) "The OCA Approach to Exchange Rate Regimes" in James W. Dean, Dominick Salvatore, and T.D. Willett, eds., *The Dollarization Debate*. Oxford University Press, 2003, pp. 154 – 171.

*Willett, T. (2006) "Optimum Currency Area and Political Economy Approaches to Exchange Rate Regimes: Towards a Framework for Integration" *Current Politics and Economics in Europe*, vol. 17, no.1, pp.25-52.

Tower, E and T. Willett, *The Theory of Optimum Currency Areas and Exchange Rate Flexibility*, Princeton Special Papers in International Finance, No. 11, May 1976.

B. Endogenous OCA Analysis, Lessons from Europe, and Applications to Asia and the Gulf States

*Willett, T, Permpoon, O. and Wihlborg, C. (2010) “The Political Economy of Endogenous OCA Analysis” *The World Economy* Volume 33, Issue 7, July, pp. 851–872

*Willett et al (2009), The Global Crisis and Korea’s International Financial Policies Chs. 7 & 8

Chow, H.K. and Kim, Y. (2003) “A Common Currency Peg in East Asia? Perspectives from Western Europe” *Journal of Macroeconomics*, pp. 331-350.

Chung, D.K. and Eichengreen, B. (2007) *Toward an East Asian Exchange Rate Regime*, Brookings.

Genberg, Han and He, Dong “Monetary and Financial Cooperations Among EMEAP Central Banks” from Balonya, Claremont, Singapore Conference

Willett and Lalana Srisorn. “Some Lessons for Asia from the European Experiences.” Manuscript.

Willett, T., Orawan Permpoon, and Nancy Srisorn “Asian Monetary Cooperation: Perspectives from the European Experience and Optimum Currency Area Analysis” *Singapore Economic Review*.

Willett, T., S. El Hag, and K. Albarwani (2010) “The GCC’s Fixed Exchange Rate.” *The World Economy*. Dec. pp.1702-17.

Wyplosz, Charles (2001) “A Monetary Union in Asia? Some European Lessons” *Future Directions for Monetary Policies in East Asia*, Reserve Bank of Australia.

VII. International Capital Flows and Exchange Rate Regimes as Sources of Crisis or Discipline

*Chiu, E. et al. (2010)” The Discipline Effects of Fixed Exchange Rates: The Distinction between Hard and Soft Pegs” *Global Economic Review* (forthcoming).

*Willett, Chiu and Walter. “Fixed Exchange Rates and Financial Markets as Sources of Discipline and Crisis”, in Thomas Oatley Ed. *Handbook of International Monetary Relations*. Edward Elgar.

Willett, T. and S. Dechsakulthorn (2009) “Discipline” *Princeton Encyclopedia of the World Economy*

Willett, T. (2000) “International Financial Markets as Sources of Crises or Discipline: The Too Much, Too Late Hypothesis,” *Essays in International Finance*, No 218, Princeton, May.

VIII. International Reserves Issues and the Stability of International Monetary Systems

*Li, J., O. Sula and T. D. Willett. 2009. “A New Framework for Analyzing Adequate and Excessive Reserve Levels Under High Capital Mobility”. In Yin-Wong Cheung and Kar-Yiu Wong, eds. *China and Asia* (Routledge, 2008): 230-245.

*Willett et al. (2009) *The Global Crisis and Korea’s International Financial Policies* Ch. 4

*Willett, T. (1980) “An Analytic History of International Liquidity Concepts and Developments,” from *International Liquidity Issues*, American Enterprise Institute.

Aizenman, J. and J. Lee. 2005. “International Reserves: Precautionary vs Mercantilists Views, Theory and Evidence”. IMF Working Paper no. WP/05/198. Washington, D.C.: International Monetary Fund.

Aizenman, J., and M. Hutchison. 2010. “Exchange Market Pressure and Absorption by International Reserves: Emerging Markets and Fear of Reserve Loss During the 2008-09 Crisis”.

Kim, Jung Sik *et al.* “Reserve Adequacy in Asia Revisited: New Benchmarks Based on the Size and Composition of Capital Flows.” Claremont Colleges Working Paper Series No. 2004 – 07, for Claremont-KIEP Conference.

Obstfeld, M., J. Shambaugh and A. Taylor “Financial Stability, the Trilemma and International Reserves” *American Economic Journal*

Rose, A (2007) ““A Stable International Monetary System Emerges: Inflation Targeting is Bretton Woods, Reversed.” *Journal of International Money and Finance*, pp. 663-681

IX. Capital Surges, Sudden Stops, Credit Booms and Policies Toward International Capital Flows

*Amri, Puspa. et al. , “Capital Surges and Credit Boom: How Tight Is the Connection?”.

*Crystallina, Masyita. et. al. (2013), “Capital Flow Surges, Reversals, and Sudden Stops: How They Are Measured Is Important”.

*Willett, Efremidze, and Rutledge "Capital Flow Surges as Bubbles" a Complexity Economics and Behavioral Finance Interpretation". Manuscript. Results from our current research project will be presented.

Amri, Puspa D., Apanard P. Prahba and Clas Wihlborg (2012). "What Makes High Credit Growth Harmful? Evidence from Banking Crises," Social Science Research Network, pp. 1-43.

Borio, Claudio, Robert McCauley and Patrick McGuire, 2011, "Global Credit and Domestic Credit Booms," BIS Quarterly Review, September

Chiu, E and Thomas Willett "Capital Controls and Currency Crises: A More Disaggregated Political Economy Analysis". Manuscript.

Efremidze, Levan, Samuel M. Schreyer and Ozan Sula (2011). "*Sudden Stops and Currency Crises*," Journal of Financial Economics, Vol.3 No.4, pp. 304-321.

Eichengreen, Barry and Poonam Gupta (2013), "Tapering Talk: The Impact of Expectations of Reduced Federal Reserve Security Purchases on Emerging Markets".

Forbes, Kristin J., The "Big C": Identifying Contagion (October 2012). NBER Working Paper No. w18465.

Forbes, Kristin J & Marcel Fratzscher & Thomas Kostka & Roland Straub, 2012. "Bubble Thy Neighbor: Portfolio Effects and Externalities from Capital Controls," NBER Working Papers 18052, National Bureau of Economic Research, Inc.

IMF, "The Liberalization and Management of Capital Flows: An Institutional View", Nov 14, 2012

Jorda, Oscar, Moritz Schularick, and Alan Taylor. 2011. "Financial Crises, Credit Booms, and External Imbalances: 140 Years of Lessons." NBER Working Paper No. 16567

Maurice Obstfeld "Expanding Gross Asset Positions and the International Monetary System"

Magud, Nicolas E., Reinhart, Carmen M. and Vesperoni, Esteban Rodrigo, Capital Inflows, Exchange Rate Flexibility, and Credit Booms (December 2011). NBER Working Paper No. w17670.

Michael W. Klein, 2012. "Capital Controls: Gates versus Walls," NBER Working Papers 18526, National Bureau of Economic Research, Inc.

Prasad, E., "Role Reversal in Global Finance"

Ravi Balakrishnan et al. "Surging Capital Flows to Emerging Asia" IMF Working Paper No. NO.12/130.

Reinhart, Carmen M. & Vincent R. Reinhart, 2008. "Capital Flow Bonanzas: An Encompassing View of the Past and Present," NBER Working Papers 14321, National Bureau of Economic Research, Inc.

Rey, Helene (2013), "Dilemma Not Trilemma", Kansas City Fed Economic Policy Conference.

Selim Elekdag and Yiqun Wu "Rapid Credit Growth" IMF WP 11/241

Shin, Hyun Song. (2013), "The Second Phase of Global Liquidity and Its Impact on Emerging Economies". San Francisco Fed Conference 2013.

Sula, O. and Willett, T. "Measuring the Reversibility of Different Types of Capital Flows to Emerging Markets" *Emerging Market Review*, December 2009.

Zaldueño, Juan, Kim, Jun Il, Qureshi, Mahvash Saeed and Ghosh, Atish R., "Surges" (January 2012). IMF Working Paper No. NO.12/22.

X. Measurement Issues Concerning

Capital controls

Exchange Rate Regimes

International capital mobility and international monetary and financial interdependence

Sudden stops, currency crises, and the variability of capital flows

*Willett et al., "Classifying Exchange Rate Regimes". JFEP.

*Walton, J., P. Potchamanawong, A.T. Denzau, S. Rongala, and T. Willett (2008) "A New and Better Measure of Capital Controls" (with, in King Banaian and Bryan Roberts, eds., *The Design and Use of Political Economy Indicators: Challenges of Definition, Aggregation, and Application*, Palgrave Macmillan, 2008, pp.81-102.

Amri, Puspa; Angkinand, Apanard P; Wihlborg, Clas. "Measures of Financial Liberalization and Crises." *Journal of Financial Economic Policy* 3. 4 (2011): 322-339.

Frankel, Jeffrey and Daniel Xie (2009) "Estimation of De Facto Flexibility Measure and Basket Weights" NBER WP 15620, December.

Keil, Manfred, Ramkishen Rajan, and Thomas Willett (2009) "Financial Interdependence, Capital Mobility, and Monetary and Exchange Rate Cooperation in Asia." presented at the Conference on Asian Economic Integration, Bangkok, November 2008, and Asia Pacific Economic Association in Santa Cruz, June 2009, being revised.

Keil *et al.* "International and Intra Regional Interest Rate Interdependence in Asia: Methodological Issues with Empirical Results", in *KIEP-Claremont Conference Volume*.

Klaassen, Franc & Jager, Henk, 2011. "Definition-consistent measurement of exchange market pressure," *Journal of International Money and Finance*, Elsevier, vol. 30(1), pages 74-95, February.

Klein, Michael and Jay Shambaugh (2010) *Exchange Rate Regimes in the Modern Era*. MIT Press

Rajan, Ramkishen (2010) "The Evolution and Impact of Asian Exchange Rate Regimes." ADB Economic WP 208 July 2010

Rose, Andrew (2010) "Exchange Rate Regimes in the Modern Era: Fixed, Floating and Flaky.

Tavlas, George, Harris Dellas and Alan C. Stockman (2008) "The Classification and Performance of Alternative Exchange-Rate Regimes." *European Economic Review*, pp. 941-963

Willett *et al.* (2002) "Capital Mobility for Developing Countries May Not Be So High." *Journal of Development Economics*, Vol. 68, No. 2, pp. 421-434

Attendance

Students are expected to attend all classes. Students who are unable to attend class must seek permission for an excused absence from the course director or teaching assistant. Unapproved absences or late attendance for three or more classes may result in a lower grade or an "incomplete" for the course. If a student has to miss a class, he or she should arrange to get notes from a fellow student and is strongly encouraged to meet with the teaching assistant to obtain the missed material. Missed extra-credit quizzes and papers will not be available for re-taking.

Scientific and Professional Ethics

The work you do in this course must be your own. Feel free to build on, react to, criticize, and analyze the ideas of others but, when you do, make it known whose ideas you are working with. You must explicitly acknowledge when your work builds on someone else's ideas, including ideas of classmates, professors, and authors you read. If you ever have questions about drawing the line between others' work and your own, ask the course professor who will give you guidance. Exams must be completed independently. Any

collaboration on answers to exams, unless expressly permitted, may result in an automatic failing grade and possible expulsion from the Program.

Grading

Letter Grade	Grade Point	Description	Learning Outcome
A	4.0	Complete mastery of course material and additional insight beyond course material	Insightful
B	3.0	Complete mastery of course material	Proficient
C	2.0	Gaps in mastery of the course material; not at level expected by the program	Developing
U	0.0	Unsatisfactory	Ineffective