

Economics 522: International Financial Economics

Course Objectives. The purpose of this course is to introduce you to current theoretical and policy problems in financial markets. We will address the following questions:

- (1) Why are some countries and firms successful?
- (2) What strategies and policies have countries and firms followed to grow?
- (3) Under which conditions do capital markets work? Why do they fail?
- (4) What special problems do emerging financial markets (EFMs) & small firms (entrepreneurs) face?
- (5) What are the foundations of the state & private markets (institutional and information requirements)?

Text: D. Beim and C. Calomiris, *Emerging Financial Markets*, 1st edition, 2001, McGraw Hill Publishing.

Session 1: Overview & Introduction

READ: chapter 1 – The Emerging Market Phenomenon: History & Recent Facts

Session 2: Economic Theory: Micro & Macro Review

READ: Lecture Note on Micro & Macro Review

Session 3: Economic Theory: Solow Growth Model – Rich & Poor Countries

READ: Lecture Note on the Solow Growth Model

Session 4: Economic Theory: Solow Growth Model – Why Doesn't Capital Flow?

READ: chapter 2 – Financial Repression & Development; Readings on Political Philosophy

Session 5: The Role of the Government

READ: chapter 2 and Lecture Note on Political Philosophy

Session 6: Financial & Economic Development

READ: chapter 2 – Financial Repression & Development

Session 7: The Role of Private Markets

READ: chapter 3 – Privatization & Financial Liberalization

Session 8: The Role of Private Markets

READ: chapter 3 – Privatization & Financial Liberalization

Session 9: Review and Problem Session

Session 10: Exam I.

Session 11: Market Foundations

READ: chapter 4 – Legal Foundations

Session 12: Market Foundations: Legal

READ: chapter 4 – Legal Foundations

Session 13: Market Foundations: Legal – Bankruptcy

READ: Lecture Note

Session 14: Market Foundations: Information & Control

READ: chapter 5 – Information & Control

Session 15: Market Foundations: Information & Control

READ: chapter 5 – Information & Control

Session 16: Information Problems: Debt Contracts – Bonds

READ: Lecture Note

Session 17: Information: Equity Contracts & the Stock Market – Asset Pricing

READ: Lecture Note

Session 18: Information: The Special Problems of Small Firm Finance

READ: Lecture Note

Session 19: Currency Stability: Inflation & Devaluation

READ: chapter 6 – Inflation & Currency Stability

Session 20: Crises & Reform: Banks

READ: chapter 7 – The Trouble with Banks

Session 21: Crises & Reform: Financial Crises

READ: chapter 8 – Financial Crises

Session 22: Crises & Reform: Financial Crises

READ: chapter 8 – Financial Crises

Session 23: Review and Problems

Session 24: Exam II

Session 25: Financial Institutions: Small and Large Scale

Session 26: Building Good Institutions

READ: chapter 9 – Building Financial Institutions

Session 27: Building Good Institutions: Micro Credit

READ: Lecture Notes

Session 28: Review and Summary

Session 29: Final Exam.