



**Centro Franco Argentino de Altos Estudios
Universidad de Buenos Aires**

Seminario de posgrado

16 horas

Profesora invitada

Anne Laure DELATTE

(Sciences Po., USPC / CNRS)

Profesor Anfitrión

Andrés López

(Faculta de Ciencias Económicas, Universidad de Buenos Aires)

“Research on the Euro Crisis”

Del 3 al 7 de abril 2017

Lugar: Facultad de Ciencias Económicas (Aula por definirse)

Inscripción: cfaae@rec.uba.ar

PRESENTATION OF THE COURSE

This class focuses on the Euro crisis and covers a part of the academic literature useful to analyze it. In the first part of the class, we will cover the classic literature on optimal monetary area and the currency crises. In the second part, we will focus on the literature recently developed to analyze the Euro crisis: the sovereign-banking nexus and financial geography.

EVALUATION

1. Presentation of a paper marked with an asterix in the reading list: 20 mn. Pick up one paper marked with an asterix and present it (One presentation per session. Please get ready for your session).
2. Propose one research question in the field and very preliminary suggestions to address it (we will discuss them at the end of each session)

PROGRAM

3, 4, 5 y 7 de abril de 15:00 – 18:00 (Facultad de Ciencias Económicas, UBA)

INTRODUCTION: A single currency for Europe

Key issue: *We review the genesis, political motivations and the first decade of euro.*

Referencias

- C. Wyplosz, "EMU: Why and How It Might Happen", The Journal of Economic Perspectives Vol. 11, No. 4 (Autumn, 1997), pp. 3-21
- B. Eichengreen and J.A. Frieden, "An analytical Introduction", in The Political Economy of European Monetary Unification, Oxford : Westview Press, 2001

SESSION 1: Is the theory of optimal currency areas sufficient?

Key issue: *the theory of optimal currency areas provides an analysis of the macroeconomic costs and benefits of a monetary unión.*

References:

- Mundell, R. A. (1961). A theory of optimum currency areas. The American Economic Review, 657-665.*
- Eichengreen, B. (1991). Is Europe an Optimum Currency Area? NBER N. 3579*
- The economics of monetary union, Paul de Grawe, 9th Ed. Oxford, chapters 1-4
- Krugman, P. (2012). Revenge of the Optimum Currency Area. NBER Macroeconomics Annual, 27(1), 439-448
- D. Rodrick, "Economists vs. Economics", Project Syndicate, Sep 10, 2015
- P. Lane, "The Real Effects of European Monetary Union", The Journal of Economic Perspectives, Vol. 20, No. 4 (Fall, 2006), pp. 47-66 1
- Kenen, P (1992). EMU after Maastricht, New York: Group of Thirty.
- Kenen, P (1999). "Outlook for EMU", Eastern Economic Review 25(1), Winter 1999, p.113. Also available from the Peterson Institute.

SESSION 2: The models of currency crises

Key issue: *the economic analysis distinguishes three different types of currency crises, presented in three generations of models.*

References:

- M. Obstfeld, "The logic of currency crises", Cahiers Economiques et Monetaires, (BdF), 43: 189-213, (1993)*
- P. Krugman, "A model of balance-of-payments crises", Journal of Money, Credit and Banking, 11(3), 311-325, (1979)*
- P. Krugman, "Introduction" in Currency crises, University of Chicago Press, (2000)
- Goldstein, Itay, and Assaf Razin. Review of theories of financial crises. National Bureau of Economic Research, 2013.
- S. Saxena, "The Changing Nature of Currency Crises", Journal of

Economic Surveys, Volume 18, Issue 3, Pages: 321–350 (2004)

- "Balance sheet recession is the reason for secular stagnation", Richard Koo in *Secular Stagnation: Facts, Causes and Cures*, CEPR Press
- J. Boucher Breuer, "An Exegesis on Currency and Banking Crises", *Journal of Economic Surveys*, Volume 18, Issue 3, July 2004, Pages: 293–320.
- Bruneau, Delatte and Fouquau (2014), "Was the European sovereign crisis self-fulfilling?", *Journal of Macroeconomics* 42, Section 1-5.
- Delatte, A.L., Gex, M., Lopez-Villavicencio, "Has the CDS market influenced the borrowing cost of European countries during the sovereign crisis?", *Journal of International Money and Finance*, 31 (3), 481-497

SESSION 3: Amplification mechanisms: banking sovereign nexus

Key issue: *The banks' balance sheet has been a key channel of contagion and amplification during the crisis. The nexus between banks and sovereigns is coined the doom-loop.*

References:

- Acharya, V., Drechsler, I., and Schnabl, P. (2014). A Pyrrhic Victory? Bank Bailouts and Sovereign Credit Risk. *Journal of Finance*, 69(6), 2689–2739.*
- Reinhard and Rogoff, *This time is different, Eight Centuries of Financial Folly*, Chapter 14*
- P. Lane, "The Irish Crisis", CEPR DP N. 8287, 2011 (Sections 1 to 3)
- V. Acharya, I. Drechsler and P. Schnabl, "A Tale of Two Overhangs: The Nexus of Financial Sector and Sovereign Credit Risks", *Banque de France Financial Stability Review*, 16, April 2012
- "European government bond spreads in the current crisis", J. von Hagen, L. Schuknecht and G. Wolswijk, *voxeu*, 21 December 2009
- A.L. Delatte, J. Fouquau and R. Portes, "Regime-Dependent Sovereign Risk Pricing during the Euro Crisis", NBER working Paper 19985

SESSION 4: The consequences: financial disintegration?

References:

- Forbes and Warnock (2012). Capital flow waves: surges, stops, flight, and retrenchment. * Journal of International Economics 88(2), 235-251
- Gourinchas, P.-O., H. Rey, and K. Truempler (2012). The financial crisis and the geography of wealth transfers. Journal of International Economics 88(2), 266- 283.*
- Bouvatier, V. and Delatte, A.L, "Waves of international banking integration: a Tale of Regional Differences.", the European Economic Review, companion VOXEU column 14 December 2014,.

SESION ESPECIAL

JUEVES 6 de abril, 13:00 – 15:00

*Talk on "European Banks and Tax Havens", Seminario Interno del IIEP
(LUGAR POR DEFINIRSE)*