

Academic Year: (2018 / 2019)

Review date: 18-04-2018

Department assigned to the subject: Social Sciences Department

Coordinating teacher: BATTILOSSI , STEFANO

Type: Electives ECTS Credits : 3.0

Year : 1 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Monetary and financial macroeconomics
Financial economics

OBJECTIVES

- To understand the theoretical foundations and the empirical implications of the nexus between financial development and economic growth
- To analyze both theoretically and empirically the distortions created by financial repression and restrictions, and the benefits and risks of financial liberalization
- To analyze both theoretically and empirically the sources of financial vulnerability and fragility of developing economies
- To analyze causes, patterns and consequences of financial crises; to elaborate leading indicators of financial vulnerability; to design measures of prevention, management and solution of financial crises
- To analyze both theoretically and empirically the benefits and risks of prudential regulation and financial safety nets; to design reforms aimed at strengthening financial systems and promoting financial stability in developing economies
- To understand the causes and consequences of limited access to credit by households and small-and-medium size firms in developing economies; to design reforms aimed at promoting access to credit.

DESCRIPTION OF CONTENTS: PROGRAMME

- 1) Financial development and growth: theory and empirical studies
- 2) Legal roots of financial development: common law vs civil law
- 3) Government intervention, regulation and repression of financial systems in developing economies
- 4) State-owned banks and development banks
- 5) Access to and use of financial services in developing economies
- 6) Access to financial services, inequality and poverty
- 7) Access to finance of SMEs and micro-enterprises
- 8) Informal finance
- 9) Financial liberalization and its impact on growth
- 10) Financial liberalization and financial fragility: financial crises and boom-bust credit cycles

LEARNING ACTIVITIES AND METHODOLOGY

Students will develop their knowledge base and analytical skills by:

- attending lectures setting the basic theoretical framework as well as illustrating key empirical findings. Students will receive the content of each lecture in advance in the form of power point presentations. At the same time students will receive at the start of the module a full list of basic and complementary bibliographical references. All readings will be uploaded to Aula Global in order to allow students to read in advance and dwell autonomously on the topics in which they are more interested.
- discussing published articles and working papers, as well as completing group and individual assignments, in order to stimulate active participation by students.

Students will develop their instrumental skills by:

- analysing and presenting in class the methods, data and empirical findings of published articles and working papers;
- writing and presenting in class a final academic essay based on a review and discussion of the existing literature on one of the topics dealt with in the module;
- actively participating in the discussion of other students' essays.

ASSESSMENT SYSTEM

Training assessment will represent 40% of the final grade. It will be based on:

- Active participation in class: 20%. Includes presentations and discussions of articles of interest for the module, as well as commentaries and interventions with added value to the class discussion.
- Final essay: 20%. To be delivered at the end of the module. As a rule, essays must be written individually.

A final written exam will assess knowledge and skills developed by students in the module, and will provide the rest of the grade (60%).

All this in compliance with the existing legislations and regulations.

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| % end-of-term-examination: | 60 |
| % of continuous assessment (assignments, laboratory, practicals...): | 40 |

BASIC BIBLIOGRAPHY

- Barth J., Caprio G., Levine R. Bank regulation and supervision: what works best?, *Journal of Financial Intermediation*, 13, pp. 205-248, 2004
- Beck T. et al Reaching out: access to and use of banking services across countries, *Journal of Financial Economics*, 85 (1), pp. 234-266, 2007
- Beck T. et al. Banking services for everyone? Barriers to bank access and use around the world, *The World Bank Economic Review*, 22 (3), pp. 397-430, 2008
- Beck T., Demirguc-Kunt A., Levine R. Finance, inequality and the poor, *Journal of Economic Growth*, 12, pp. 27-49, 2008
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- Calvo G., Mishkin F. The mirage of exchange rate regimes for emerging market countries, *Journal of Economic Perspectives*, 17 (4), pp. 99-118, 2003
- Demirguc-Kunt A., Detragiache E. Does deposit insurance increase banking system stability?, *Journal of Monetary Economics*, 49 (7), pp. 1373-1406, 2002
- Diaz-Alejandro, C. F. Good-bye financial repression, hello financial crash, *Journal of Development Economics*, Vol. 19, Issue 1-2, pp. 1-24, 1985
- Eichengreen B., Hausmann R., Panizza U. Currency mismatches, debt intolerance and original sin: why they are not the same and why it matters, in P. Collier, J.W. Gunning (eds), *Globalization and Poverty* (Elgar), 2008
- Gourinchas P.O. Lending booms: Latin America and the World, CEPR Discussion Paper n. 2811, 2001
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- Kaminsky G., Reinhart C., Vegh C.A. The unholy trinity of financial contagion, *The Journal of Economic Perspectives*, 17 (4), pp. 51-74, 2003
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- Levine R. Financial development and economic growth: views and agenda, *Journal of Economic Literature*, 35, pp. 688-726, 1997
- Mendoza E., Terrones M. An anatomy of credit booms: evidence from macro aggregates and micro data, *NBER Working Paper*, n. 14049, 2008
- Mishkin F. *The Next Great Globalization. How disadvantaged nations can harness their financial systems to get rich*, Princeton University Press, 2008
- Obstfeld M. et al Financial stability, the trilemma and international reserves, *American Economic Journal: Macroeconomics*, 2, pp. 57-94, 2010
- Rajan R., Zingales L. Financial dependence and growth, *American Economic Review*, 88, pp. 559-586, 1998
- Reinhart C., Rogoff K., Savastano M.A. Debt intolerance, *Brookings papers on Economic Activity*, v. 1, 1-74, 2003

ADDITIONAL BIBLIOGRAPHY

- Alfaro P. et al Capital flows in a globalized world: the role of policies and institutions, in S. Edwards (ed), *Capital Controls and Capital Flows in Emerging Economies* (University of Chicago Press/NBER), pp. 19-71, 2007
- Angkinand A., Wihborg C. Deposit insurance coverage, ownership, and banks risk taking in emerging markets, *Journal of International Money and Finance*, 29, pp. 252-274, 2010
- Ayyagari M., Beck T., Hoseini M. Finance and poverty: evidence from India, *CEPR Discussion Paper* n.

- Banerjee A. Duflo E., Glennester R., Kinnan C. The miracle of microfinance? Evidence from a randomized evaluation, MIT Working Paper 13-09, 2013
- Beck T., Buyukkarabacak B., Rioja F., Valev N. Who gets the credit? And does it matter? Household vs firm lending across countries, The B.E. Journal of Macroeconomics, 12, pp. 1-44, 2012
- Brei M., Schclarek A. Public bank lending in times of crises, Journal of Financial Stability, 9, pp. 820-830, 2013
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- Edwards S. Thirty years of current account imbalances, current account reversals and sudden stops, IMF Staff Papers, 51, pp. 1-49, 2004
- Galindo A. et al Does financial liberalization improve the allocation of investment? Micro-evidence from developing countries, Journal of Development Economics, 83, pp. 562-587, 2007
- Kiguel M. et al Unlocking Credit: The quest for deep and stable bank lending in Latin America, Inter-American Development Bank, 2005
- La Porta R., Lopez de Silanes F., Shleifer A. Government ownership of banks, The Journal of Finance, 57 (1), pp. 265-301, 2002
- Levy Yeyati E., Micco A., Panizza U. Should the government be in the banking business? The role of state-owned and development banks, Interamerican Development Bank Working Paper, n. 517, 2004
- Milesi Ferretti G.M., Razin A. Current account reversals and currency crises: empirical regularities, in P. Krugman (ed.), Currency Crises, University of Chicago Press/NBER, pp. 285-326, 2000
- Stulz R., Williamson R. Culture, openness and finance, Journal of Financial Economics, 70, pp. 313-349, 2003
- World Bank Policy Research Report Finance For All? Policies and Pitfalls in Expanding Access, World Bank (Washington DC), 2007

BASIC ELECTRONIC RESOURCES

- AFI . Alliance for Financial Inclusion: <http://www.afi-global.org/>
- Accion . Center for Financial Inclusion: <http://www.centerforfinancialinclusion.org/>
- World Bank . Financial Inclusion: <http://www.worldbank.org/en/topic/financialinclusion>
- World Bank . Global Financial Development: <http://https://www.worldbank.org/en/publication/gfdr/data/global-financial-development-database>
- World Bank . Global Financial Development Report: <http://www.worldbank.org/en/publication/gfdr>