COURSE: *Workshop on Global* *& Regional Issues*.

INSTRUCTOR: Haris Vittas (hvittas@gmail.com)

OVERVIEW: This workshop is for graduate students of macroeconomics. It consists of three sets of issues. The first set begins with a review of the evolution of international monetary arrangements since the days of the gold standard, and of the role of international institutions in overseeing these arrangements. It then goes on to discuss the weaknesses of the present international monetary system and the reforms that are being pursued or proposed for addressing these weaknesses. Financial crises are the focus of the second set of issues, which aims to improve students’ understanding of why financial crises occur and how they spread across countries and regions, of their macro-economic consequences, and of the tools that are available to policy makers for managing and resolving such crises. It concludes with a discussion of various ideas that have been put forward for improving crisis prevention and resolution arrangements at the national, regional and global level. The final set of issues deals with the European monetary integration experience, including the ongoing crisis in the euro zone and the policies being implemented in order to resolve the crisis and improve the capacity of the system to contain and address any future crises.

PREREQUISITES: The material requires a good understanding of macroeconomics and a keen interest in international monetary affairs. Familiarity with national income accounts and balance of payments concepts is essential.

COURSE FORMAT: Students are expected to study the suggested reading material ahead of each class. Topics will be introduced by the instructor and this will be followed by a discussion in which all students are expected to participate actively. Each student will also be required to prepare, individually or in cooperation with other students, a short essay on a topic to be decided during the first 3 weeks of the course, after consultation with the instructor. The essay should be concise (say, about 6 pages long, doubled spaced, excluding any graphical or tabular material) and will be discussed in class on the basis of a brief presentation by its author(s).

ASSESSMENT : Class participation (20%), mid-term exam (20%), essay & presentation (20%), final exam (40%).

PLAN OF THE COURSE:

PART I: **THE INTERNATIONAL MONETARY** **SYSTEM** (4 weeks)

.-: Recent history & Current Arrangements

.-: The role of the IMF and other international bodies (BIS, FSB, G20) in managing the system and promoting international policy coordination

.-Weaknesses in present arrangements

.-Ongoing reforms of the system & proposals for further reform

Recommended Reading:

Krugman & Obstfeld*: International Economics,Theory & Policy, 9th edition: Chapters 18 & 19*

Michael Bordo: *The Bretton Woods International Monetary System: A Historical*

*Overview* available in <http://www.nber.org/chapters/c6867>

IMF web site: *Factsheets* on *IMF Surveillance, Crisis Lending, Where the IMF gets its Money*

IMF, 2011: *Strengthening the International Monetary System, Taking Stock & Looking Ahead*

E. Truman, 2013: *The International Monetary System or Nonsystem?*

F. Bergsten, 2013: *Currency Wars, the Economy of the United States, and Reform of the International Monetary System*

Zhou, 2009: *Reform the international monetary system*

PART II: **FINANCIAL CRISES** (4-5 weeks)

.- Nature of crises, Causes & Consequences

-Propagation of crises across borders

-Crisis Management & Resolution

-Selected Case Studies & Lessons Learned

.- Efforts to predict & or prevent crises (vulnerability indicators, early warning signals, build-up of national & cross-country buffers, strengthening of institutions)

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Recommended Reading:

Reinhart & Rogoff, 2008, *Banking Crises: An Equal Opportunity Menace,* NBER WP No. 14587

Reinhart & Rogoff, 2009, *The Aftermath of Financial Crises*, NBER Working Paper No. 14656

IMF, *World Economic Outlook, April 2009, Chapters 3 & 4,*

Abiad et al, 2012: *What’s the Damage: Medium-term Output Dynamics after Financial Crises*

Schmukler, Zoido & Halac: *Financial Globalization, Crises, and Contagion*

J. De Gregorio, 2012:*Resilience in Latin America: Lessons from Macroeconomic Management & Financial Policies*

PART III: **EUROPEAN ECONOMIC & MONETARY INTEGRATION** (4 weeks)

-The design of the Euro project

-Ongoing Euro debt crisis

- Recent progress in improving the architecture of the system

- Remaining challenges

Recommended Reading:

Baldwin & Wyplosz *The Economics of European Integration,* 4th edition, Chapters 15 to 19.

Krugman & Obtsfeld: *International Macroeconomics, Theory & Policy,* Chapter 20.

C. Wihlborg, 2010: *The Euro@10; Celebration Followed by Crisis*

H. Vittas, 2012: *Reflections on the Crisis in Greece* in World Economics, on line edition, September 2012

IMF, 2013 *Greece: Ex Post Evaluation of Exceptional Access under 2010 Stand-by Arrangement*

V. Constanzio, 2013: *The European Crisis & the Role of the Financial System*

E. Truman, 2012: *Unraveling the Euro Crisis*

A. Ubide, 2013: *Reengineering Euro for an Uncertain World*

**Note:** Most of the recommended reading material is available on line. It will be supplemented by the instructor’s notes (which will be distributed to students after each class)..