Syllabus

COURSE OBJECTIVES

This course will introduce students to the major issues of economic and financial crises and reform in emerging nations. The initial part of the course explores sources of economic instability and financial crises in developing countries. Some of the basic tools of open economy macroeconomics are introduced. Students are then introduced to the policies of economic reform in developing countries, including stabilization and exchange rate policy, and financial market policy. The final portion of the course explores reforms in the international financial architecture, including both the role of the IMF, and private sector capital flows to the emerging nations. The course employs the case study approach in examining recent episodes of financial crises and reform in the developing countries.

Required readings are listed after each sub-topic. The required readings are taken from a conference on Financial and Currency Crises in Emerging Nations, edited by Martin Feldstein; and a conference on Preventing Currency Crises in Emerging Markets, edited by Sebastian Edwards and Jeffrey Frankel. These papers can be downloaded from the National Bureau of Economic Research web site. The paper by Pesenti and Tille can be downloaded from the web site created by Nouriel Roubini called 'Asia Crises Homepage'.

TOPICAL OUTLINE AND ASSIGNED READINGS

I What Causes Financial Crises in Developing Countries? (Jan. 15 - Feb. 7)

Reading:


Rudi Dornbusch, 'A Primer on Emerging Market Crises,' in Edwards and Frankel, editors

Feb. 7 Essay I due.
Panel discussion on the causes of financial crises in emerging nations.

II Stabilization and Exchange Rate Policy (Feb. 12 - Mar. 7)

Readings:

Anne O. Krueger, 'IMF Stabilization Programs,' and discussion of the Krueger paper in Feldstein, editor

Sebastian Edwards, 'Exchange Rate Regimes, Capital Flows and Crises Prevention,' and discussion of the Edwards paper in Feldstein, editor

Mar. 7 Essay II due.
Panel discussion on stabilization and exchange rate policy in emerging nations

III Financial Market Policies (March 12 - April 4)

April 4 Essay III due.  
Panel discussion on Financial market policies in emerging nations.

IV Reforming the International Financial Architecture (April 9-May 2)
Morris Goldstein, 'IMF Structural Adjustment Programs' and discussion of the Goldstein paper in Feldstein, editor
William Cline, 'The Role of the Private Sector in Resolving Financial Crises in Emerging markets,' and discussion of the Cline paper in Feldstein, editor

May 2 Essay IV due.  
Panel discussion on reforming the international financial architecture.

COURSE REQUIREMENTS

Each student is required to write four essays focusing on each of the major topics of the course. Choose a developing country that has experienced a financial crises. Each essay should then relate the issues explored in the course to the experience of that country. Each student will make a brief oral presentation based on one of these essays. Attendance and class participation are required. The final grade will be based on the four essays, attendance and class participation.

In writing these essays your are welcome to use any source materials that you find relevant. However, you will find an extensive literature on financial crises and reform in different regions and emerging countries on the internet, and you are encouraged to make full use of these resources. The following list of sites is a good place to start to put together source materials for the country you have chosen for your essays:

The World Bank
The International Monetary Fund
The National Bureau of Economic Research (NBER)
Asia Crises Homepage (constructed by Nouriel Roubini)

Note that the National Bureau of Economic Research has launched a major project EMERGING MARKET COUNTRIES. In addition to the NBER conference volumes cited above they have held conferences focusing on individual countries including Korea, Malaysia, Thailand, Indonesia, Brazil, Mexico, and Turkey. The conference proceedings and source materials provided for these conferences are an excellent source of information on these specific countries.

Also useful are the following books with case studies of individual emerging nations, available on reserve:


Wing Thye Woo, Stephen Parker, and Jeffrey D. Sachs, 'Economies in Transition: Comparing Asia and Eastern Europe,' MIT Press

Rudiger Dornbusch and Sebastian Edwards, 'Reform, Recovery, and Growth: Latin America and the Middle East,' University of Chicago Press.