Syllabus (May 6, 2023)

Global Financial Markets and Economic Development

BiGSEM mini course, 5 x 90 minutes, June 16, 19, 20, 21

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Outline

We first introduce the Lucas paradox “Why capital doesn’t flow from rich to poor countries” and think about how it is related to convergence of incomes across countries and the international monetary and financial system. Second, we study theoretical papers relevant for understanding how financial globalization affects convergence of income across countries. Third, we will examine empirical findings about international capital flows in recent decades and how they relate to the Lucas paradox.

We will discuss papers published in economics journal. Therefore, it is desirable that you have a good understanding of macroeconomics, microeconomics, and econometrics at the undergraduate level is desirable.

Objectives

You will understand theoretical and empirical models relevant for understanding how financial market globalization impacts convergence of incomes across countries and will be able to analyze the long-run development of financial markets as well as the benefits and challenges in the international monetary and financial system.

Before/after course of study

You must read the relevant papers and write reports weekly before the class. This might take you 90-120 minutes.

Evaluation

Students who are interested in gaining credit points (2ECTS) will be given a homework that tests the understanding of theoretical concepts/mechanisms we study in this course. Details to be decided later.

Schedule

<table>
<thead>
<tr>
<th>Lecture</th>
<th>Topics</th>
<th>Readings</th>
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<tr>
<td>1</td>
<td>Lucas Paradox, Convergence,</td>
<td>Lucas (1990), Galor (1996), Gourinchas et al.</td>
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<tr>
<td></td>
<td>International Monetary System</td>
<td>(2019)</td>
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<td>2</td>
<td>Symmetry Breaking</td>
<td>Matsuyama (2004),</td>
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<td>3</td>
<td>Endogenous Cycles and Moral Hazard</td>
<td>Kikuchi &amp; Stachurski (2009), Kikuchi et al. (2018)</td>
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<td>4</td>
<td>Poverty Trap</td>
<td>Kikuchi &amp; Vachadze (2015)</td>
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<td>5</td>
<td>Foreign Debt and Economic Growth</td>
<td>Kikuchi &amp; Tobe (2021)</td>
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References

Introduction


Theory


Empirical studies


Kikuchi, Tomoo, and Satoshi Tobe. “How does foreign debt contribute to economic growth?”
arXiv:2109.10517