Emerging Financial Markets (8348-002)
Professor Dalibor S. Eterovic
Spring 2019

This course explores the institutional, economic and financial fundamentals of emerging markets economics. We will be challenged to think critically about the place EM countries have in the international system. Historical examples, economic theory and empirical techniques will be used in interpreting how emerging markets have performed, what underlying fundamentals are driving development and how current political turmoil might affect opportunities for investment and business development in the near future.

We will explore the main risk factors in the financial systems of emerging market countries (EMs) over the past three decades and use countries' characteristics to predict their companies’ and governments’ performance.

This course investigates the determinants of successful or unsuccessful development with the objective of identifying factors that make emergence more likely. An important part of analyzing the success or failure of emergence entails the analysis of EM financial crises.

Readings: The main text book is Emerging Financial Markets, by David Beim and Charles Calomiris, 2001 (EFM). Other readings (including EFM) and the case studies are in the electronic course packet.

Students are expected to prepare for class by reviewing the assigned readings and preparing case-debate presentations and written case solutions as a group. Groups consist of a team of three or four students. Students are responsible for forming groups immediately after the first class. Team lists must be submitted in hard copy form to the instructor at the beginning of the second class.

Grading is based on 6 case-debate team presentations and written case solutions (40%), 6 team presentations of mini-cases (25%), an in-class mid-term examination on consisting of multiple choice or short-answer questions (15%), and a take-home final exam consisting of longer-answer questions (20%). The take-home final exam will be distributed on the second to last class and will be due by the end of the last class of the term. The mid-term and final exams will test comprehension of the material in the required readings and the class discussions. The final exam should take no more than 3 hours to complete. Case solutions should be no more than four pages of text (double-spaced, Times Roman 12 font with normal margins), which follow a one-page executive summary. Up to five pages of charts and tables may be attached.

The following is a list of readings and assignments for each class meeting. Additional readings with contemporaneous information will be added in a timely fashion.
COURSE SCHEDULE AND READINGS

Readings with asterisks (*) are required. All required readings are available in the readings packet.

Class 1: institutions, development, convergence

- *EFM, Chapters 1-3.

Class 2: Global Macro and current market issues with EM (Part I)
- Relevant material will be distributed the previous week.

Case 1


Team Presentation 1

Class 4: Sovereign Risk and Corporate Securities Risk

• *Ashvin Ahuja; Kevin Wiseman; Murtaza H Syed, Assessing Country Risk: Selected Approaches, IMF 2017.

Case 2

Class 5: Legal Foundations of Finance and Corporate Governance, private equity and Innovation

• *EFM, Chapters 4-5.
• Alexander Peter Groh, 2009. Private equity in emerging markets. IESE working paper.

Team Presentation 2

Class 6 and 7: The emergence of China and its global impact


Case 3 (class 6)

Team Presentation 3 (class 7)

Class 8 and 9: Inflation and Exchange Rate Policies

• Romer, David., 2013. Short run fluctuations.
• “EFM, Chapters 6.
• Mishkin, F., Schmidt-Hebbel, K., 2001. One decade of inflation targeting in the world: what do we know and what do we need to know. NBER WP.
• Mishkin, F., Schmidt-Hebbel, K., 2007. Does inflation targeting make a difference. NBER WP.

Case 4: (Class 8)

Presentation 4 (class 9)

MID-TERM EXAMINATION IN CLASS (CLOSED-BOOK)

Class 10 and 11: Taxonomy, Causes and Social Costs of EM financial crises, historically and in the present era.

• “EFM, Chapters 7 and 8.
• “Charles Calomiris and Stephen Haber, Fragile By Design, Chapters 10-11, 14-15.

• “Reinhart, C., Rogoff, K., 2008a. This Time is Different: A Panoramic View of 8 Centuries of Financial Crisis. NBER wp 13882

Case 5: (class 10)

Team Presentation 5: (class 11)

Class 12: Effective Macro-Prudential Regulation

• “Eugenio Cerutti, Stijn Claessens, and Luc Laeven, 2015. The Use and Effectiveness of Macropu
• dential Policies: New Evidence. IMF working paper.

**Case 6**

**Class 13:** Sub-mergence? Middle Income Trap? Emerging Markets and Global Shocks

• “Shekhar Aiyar, Romain Duval, Damien Puy, Yiqun Wu, and Longmei Zhang, 2018, Growth Slowdowns and the Middle-Income Trap. IMF working paper.

**Presentation 6**

**Class 14:** Global Macro and current market issues with EM (Part II) and **Course review**

This class provides students an opportunity to comment upon which topics, readings, cases, discussions, and mini-case debates were most interesting and which were least interesting.