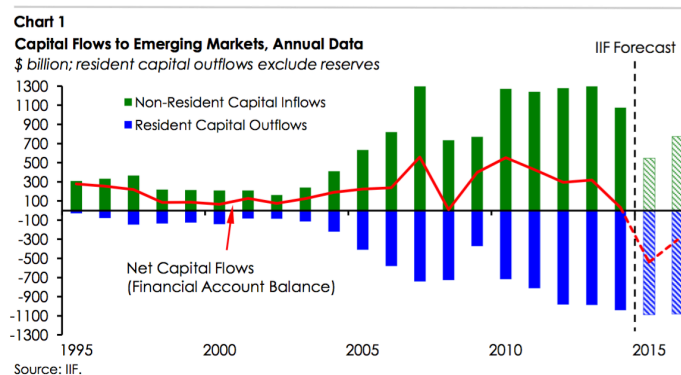
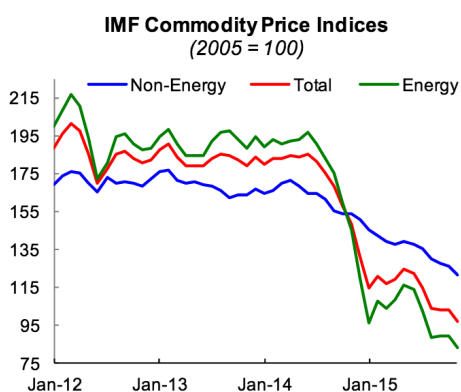


### Econ 492: Macroeconomics of Emerging Market Economies

In 2015 primary commodity prices for emerging market exports fell by 40 percent. Net capital flows to emerging markets for 2015 were negative for the first time since 1988. Growth rates in most emerging market economies—including some of the largest (China, Brazil, and Russia)—slowed during 2015 and many economies are now contracting in 2016.

Corporate debt in many emerging markets has grown rapidly—from 60% of China's GDP in 2005 to 185% in 2015, and from 50% of Brazil's GDP in 2005 to almost 100% in 2015. Amid growing concerns about corporate defaults, spreads on emerging market bond yields have risen and the MSCI emerging market stock index has fallen by 25% since May.



This course explores major macroeconomic questions that motivate the research of economists who have an interest in the determinants of growth and economic stabilization in emerging market countries. The course has two parts:

1. **Convergence:** Long-run growth patterns of developed and emerging market economies, using both empirical data and analytical models.
2. **International financial integration:** Sudden stops of financial capital flows and the shorter-run problems of economic stabilization in emerging market economies.

The class material will include news articles about the major stresses currently facing many emerging market economies as a result of the global decline in primary commodity prices and sudden stop of capital flows.

My background:

My research centers on the intersection of international economics with the macroeconomics of emerging market economies. I have a special interest in financial markets and am closely following events in China as well as Latin America.

Course Website: <https://catalyst.uw.edu/workspace/plbrock/52580/>

This website will have the syllabus and articles. I will also use it to make announcements about quizzes.

Use of email: I will answer simple, clarifying email questions. For other questions, you will need to come to office hours.

Grading Policy:

- Your grade will be partially based on six quizzes on the following dates:  
January 11, 25; February 1, 22, 29; March 7  
I will announce the material to be covered before each of the quizzes.

I will count your top five quiz results. Each of the top five quiz results will be worth three percent of your grade. Missing a quiz for any reason will result in a zero for that quiz.

- A midterm on **Wednesday, February 3**. The midterm is worth 35 percent of your grade.
- A final exam on **Thursday, March 17 from 8:30-10:20 a.m.** The final is worth 55 percent of your grade.

The midterm and final will cover all lectures, material in the articles, and class discussions of current events. The final will be cumulative.

- If you miss one of the two tests you will be given an incomplete for the course, provided that you have been attending class and taking the quizzes. *University procedures will be followed for converting the incomplete to a grade.* The relevant portion of university procedures for incompletes is included on the following page of the syllabus.
- Missing both tests will automatically result in a failing grade.

## Course Readings

### Overview

Prasad, E., R. Rajan, and A. Subramanian. 2007. Foreign capital and economic growth. *Brookings Papers on Economic Activity*, 153-230.

### 1. Convergence

Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, MIT Press:

Chapter 1 Growth Models with Exogenous Saving Rates

Chapter 12 Empirical Analysis of a Cross-Section of Countries

Easterly, W., M. Kremer, L. Pritchett. And L. Summers. 1993. Good policy or good luck? Country growth performance and temporary shocks. *Journal of Monetary Economics* 32, 459-483.

Hausmann, R., L. Pritchett, and D. Rodrik. 2005. Growth Accelerations. *Journal of Economic Growth* 10, 303-329.

Berg, A., J. Ostry, and J. Zettelmeyer. 2012. What makes growth sustained? *Journal of Development Economics* 98, 14-166.

Bénétrix, A., K. O'Rourke, and J. Williamson. 2015. The Spread of manufacturing to the poor periphery 1870-2007. *Open Economies Review* 26, 1-37.

## 2. International Financial Integration

### *The Open Economy Solow Model*

Class notes

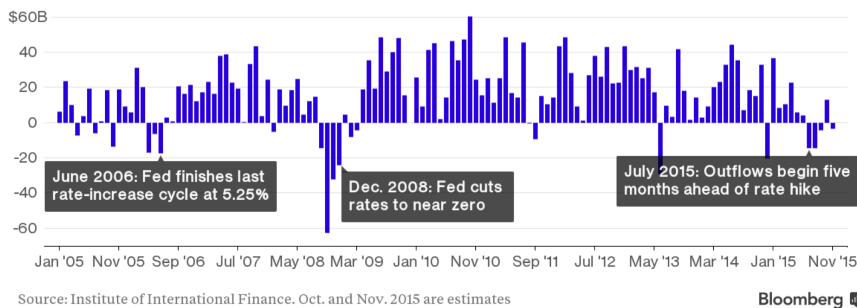
Henry, P. 2000. Stock market liberalization, economic reform, and emerging market equity prices. *Journal of Finance* 55, 529-564.

Bekaert, G., C. Harvey, and C. Lundblad. 2005. Does financial liberalization spur growth? *Journal of Financial Economics* 77, 3-55.

### *Push and Pull Factors*

#### **Escape Before Liftoff**

Emerging-markets portfolio flows turned negative before anticipated Fed rate increase



Cerutti, E., S. Claessens, and D. Puy. 2015. Push factors and capital flows to emerging markets: Why knowing your lender matters more than fundamentals. IMF Working Paper WP/15/127.

Ahmed, S. 2015. If the Fed acts, how do you react? The liftoff effect on capital flows. IMF Working Paper WP/15/256.

### *Sudden Stops*

Reinhart, C. and C. Trebesch. 2015. The pitfalls of external dependence: Greece, 1829-2015. NBER working paper 21665.

Azis, I. and H. Shin. 2015. The three phases of global liquidity, chapter 2 in *Managing elevated risk: Global liquidity, capital flows, and macroprudential policy: An Asian perspective*. Asian Development Bank, Springer.

## **University Procedures for Incompletes**

See website:

[http://www.washington.edu/students/genocat/front/Grading\\_Sys.html#GRADING](http://www.washington.edu/students/genocat/front/Grading_Sys.html#GRADING)

I Incomplete - An Incomplete is given only when the student has been in attendance and has done satisfactory work until within two weeks of the end of the quarter and has furnished proof satisfactory to the instructor that the work cannot be completed because of illness or other circumstances beyond the student's control. A written statement of the reason for the giving of the Incomplete, listing the work which the student will need to do to remove it, must be filed by the instructor with the head of the department or the dean of the college in which the course is given.

To obtain credit for the course, an undergraduate student must convert an Incomplete into a passing grade no later than the last day of the next quarter. For Spring Quarter, the following quarter is considered to be Fall Quarter. The student should never reregister for the course as a means of removing the Incomplete. An Incomplete grade not made up by the end of the next quarter is converted to the grade of 0.0 by the Office of the University Registrar unless the instructor has indicated, when assigning the Incomplete grade, that a grade other than 0.0 should be recorded if the incomplete work is not completed. The original Incomplete grade is not removed from the permanent record.

An instructor may approve an extension of the Incomplete removal deadline by writing to the Graduation and Academic Records Office no later than the last day of the quarter following the quarter in which the Incomplete grade was assigned. Extensions, which may be granted for up to three additional quarters, must be received by the Office of the University Registrar before the Incomplete has been converted into a failing grade.

In no case can an Incomplete received by an undergraduate be converted to a passing grade after a lapse of one year.

In no case shall an Incomplete on the record at the time a degree is granted be subsequently changed to any other grade.

An Incomplete grade does not count for registered hours nor in computation of grade-point averages.

## Department of Economics Exam Taking Rules

Material allowed during a closed book exam.

- i. All books, papers, notebooks etc. must be placed inside your bag (backpack etc.) and the bag must be securely and fully closed. If you do not have a bag, you must place all your material out of your reach (classroom window sill etc.) Note that individual instructors may have specific policies (open book exams etc.)
- ii. Only keep writing tools and basic calculators (i.e. simple 4-functions calculators). Graphing calculators or calculators with memories will not be allowed. Sharing of calculators is not permitted.
- iii. Cellular phones must be turned off before entering the class and placed in your closed bag (not in your pocket). You are not allowed to use a cellular phone during an exam. Doing so will result in the termination of your exam time (your exam being taken from you at this point). Likewise i-pads or i-pods (or similar devices) are not allowed. The use of personal computers is not allowed during an exam.
- iv. Baseball caps with visors and any kinds of headgear hiding your eyes are not permitted.

### 2. Attendance and special accommodation

- i. You are expected not to leave the room during the exam except in case of emergency. This includes restroom use; be sure to use the restroom before the beginning of the exam.
- ii. If you arrive late to an exam, you cannot expect to get extra time after the official end of the exam to make up for the missing time at the beginning.
- iii. If you have a documented disability, please show your instructor your documentation from the Office of Disability Resources for Students on the first day of class, so that your instructor can make all the necessary arrangements if you wish to take your exam in a separate place.

### 3. Academic honesty

- i. Exams are individual work and cheating will not be tolerated. Students must not glance at their neighbors' exams. Students must not change their answers after they have turned their exam in.
- ii. Check the student handbook for further information about cheating, plagiarism etc. Cheating of any kind may result in expulsion from the university. The Department of Economics will follow university policy in case of academic dishonesty. These rules complement/supplement the university rules, which are spelled out at

<http://www.washington.edu/uaa/advising/help/academichonesty.php>

Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions.

Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. Moreover, a grade of zero can be assigned by the instructor for the course.