

<b>Course information</b>	
<b>Course title</b>	<p><b>International and intranational risk-sharing and financial integration</b></p> <p>(10 hours)</p>
<b>Contents</b>	<p>The course aims to provide advanced knowledge on international and intercountry risk sharing. Precisely, it deals with choices under uncertainty and insurance mechanisms in international financial markets. Modern economics has raised a new and deeper attention to the issue of risk management, namely, on how to cope with risk and absorb idiosyncratic shocks through risk sharing (World Development Report, 2014). It represents a great change on the point of view from which economists study and interpret economic phenomena and, consequently, design policy actions.</p> <p>From a European perspective the study and the assessment of risk sharing have gained momentum since the inception of the global financial crisis which emphasized the weaknesses of the EMU (consistent heterogeneity of participating economies, lack of adequate insurance mechanisms; limited risk sharing through financial markets; absence of a fiscal channel of smoothing, restrictive budget policies). Indeed, monetary policies are not able to buffer the “asymmetric output shocks”, while countries adhering to a union look at risk sharing as the ultimate goal of the union. On this line, The Five Presidents’ Reports (2015) and the Investment Plan for Europe (2016) have raised attention on the need for mechanisms and institutions that might absorb shocks across countries and regions of the Union. To this aim, the European Commission launched the Capital Market Union action plan in order to building blocks of an integrated capital market in the EU.</p> <p><b>Syllabus</b></p> <p>1. Open economies macroeconomics: trade across random states of nature-global model and empirical implications. 2. Definition and measurement of the welfare gains of risk diversification. 3. Empirically testing risk sharing: the correlation approach. 4. Empirically testing risk sharing: the regression based approach. 5. Channel of international and intranational risk sharing. 6. Channel of risk sharing at microeconomic level. 7. Financial integration and risk sharing: literature review. 8. Economic integration and risk sharing in the EU.</p>
<b>Description of qualifications</b>	<p><b>Knowledge and understanding</b></p> <p>This course will provide students with an understanding of international risk sharing from a theoretical, modelling and empirical perspective.</p>

	<p>It will provide an overview of the most relevant economic literature on the topic along with the necessary tool kit to deal with international and intranational risk sharing at empirical level.</p> <p>The empirical literature on risk sharing will be presented and discussed in order to provide an overview of founding contributions as well as the different strands of research and the new issues raised at the frontier of the empirical studies.</p> <p>More precisely, students will develop knowledge about:</p> <ul style="list-style-type: none"> <li>• Consumption choices under uncertainty;</li> <li>• open economies macroeconomics: trade across random states of nature;</li> <li>• empirical tests of risk sharing: regression based approach;</li> <li>• channels of risk sharing;</li> <li>• empirical methodologies to risk sharing assessment;</li> <li>• the role of financial integration on risk sharing.</li> </ul> <p><b>Qualifications</b></p> <p>At the end of the course, students are expected to show knowledge of the theoretical framework, literature and empirical strategy. They will be able to extricate among theoretical approaches and empirical methodologies.</p> <p><b>Competences</b></p> <p>In order to acquire the qualifications described above, students have to:</p> <ul style="list-style-type: none"> <li>• Demonstrate knowledge of the different theories and methodologies in risk sharing empirical analyses;</li> <li>• demonstrate a general knowledge of the most relevant findings of the economic literature on risk sharing;</li> <li>• demonstrate understanding of the theoretical assumptions of the models;</li> <li>• demonstrate a good understanding of advantages and disadvantages of different empirical approaches</li> <li>• demonstrate a good understanding of risk sharing mechanisms and determinants;</li> <li>• be able to frame risk sharing issues into the literature;</li> <li>• be able to identify the most appropriate empirical approach.</li> </ul>
<b>Lecturer</b>	<p>Eleonora Pierucci  <a href="mailto:eleonora.pierucci@uniroma3.it">eleonora.pierucci@uniroma3.it</a> ; <a href="mailto:eleonora.pierucci@gmail.com">eleonora.pierucci@gmail.com</a>  <a href="https://sites.google.com/site/eleonorapierucci/">https://sites.google.com/site/eleonorapierucci/</a></p>
<b>Literature</b>	<p>The reading list can be found <a href="#">here</a>.</p>
<b>Exam Details</b>	
<b>Form of examination</b>	<b>Paper discussion</b>

<b>Notes</b>	Students will be asked to describe and critically discuss 1-2 academic papers in the light of their knowledge of the theory, literature, and empirical methods. The capability to present and examine the theoretical framework and the empirical strategies employed in the assigned papers are the core of the coursework assessment.
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