1. Objectives/Overview

A sovereign default is the failure or refusal of a government to meet payments on its debt obligations to either domestic or external creditors, or to both. Since the global financial crisis of 2008-2009, high levels of government debt in advanced economies have raised renewed concerns over possible sovereign defaults. In fact, history gives us many precedents of sovereign default by both developed and developing countries as well as many crisis cases in their various guises that brought a government to the verge of default.

As financial journalist Philip Coggan described in his recent book titled Paper Promises: Money, Debt and the New World Order, economic history could be viewed as "a war between creditors and debtors" while borrowing and lending money is essential to make an economy function.

As any other players in the economy, a government needs to borrow or assume some form of liabilities, both direct and contingent, when it runs deficits, rescues the financial system, guarantees public projects, and tries to maintain exchange rates, and so on. Therefore, the government is not necessarily immune from a battle with its creditors.

Furthermore, consideration is needed not only for the conflict between creditors and debtors, but also between creditors as evident from inter-creditor equity issues in debt restructuring exercise. Therefore, dealing with sovereign defaults has serious political and legal, as well as economic, consequences, which should require public policy and legitimacy considerations.
The aim of the course is to familiarize students with sovereign risk assessment methodologies (technique) on the basis of the historical knowledge of sovereign default and debt restructuring (lessons from history) and then to provide students with an opportunity to discuss and consider how government liabilities should be managed and sovereign debt crises could be avoided or dealt with (policy implications).

2. Schedule (preliminary)

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<th>Date</th>
<th>Topic</th>
<th>Instructor</th>
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<td>Day 1</td>
<td>October 2</td>
<td>Introduction</td>
<td>Nishizawa</td>
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<tr>
<td>Day 2</td>
<td>October 9</td>
<td>Overview of the key concepts</td>
<td>Nishizawa</td>
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<td>…</td>
<td>October 16</td>
<td>No class</td>
<td>Nishizawa</td>
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<tr>
<td>Day 3</td>
<td>October 23</td>
<td>Debt crises and sovereign defaults</td>
<td>Nishizawa</td>
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<td>Day 4</td>
<td>October 30</td>
<td>History of sovereign defaults (1)</td>
<td>Nishizawa</td>
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<td>Day 5</td>
<td>November 6*</td>
<td>History of sovereign defaults (2)</td>
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<td>Day 6</td>
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<td>Day 8</td>
<td>November 27</td>
<td>Sovereign debt restructuring (1)</td>
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<td>Day 9</td>
<td>December 4</td>
<td>Sovereign debt restructuring (2)</td>
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<td>Hosono (guest)</td>
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<td>Day 10</td>
<td>December 11*</td>
<td>Sovereign risk assessment (1)</td>
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<td>Sovereign risk assessment (2)</td>
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<td>Day 12</td>
<td>January 8</td>
<td>Political nature of sovereign defaults</td>
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<td>Day 13</td>
<td>January 15</td>
<td>Economic aspects of sovereign defaults</td>
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<td>Day 14</td>
<td>January 22</td>
<td>Discussion on selected issues</td>
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<td>Day 15</td>
<td>January 29</td>
<td>Student presentation (for final report)</td>
<td>Nishizawa</td>
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*: Substitute date will be announced due to instructor's absence.

3. Teaching methods

This course will be organized as a seminar with introductory lecture followed by class discussion. Active participation in discussion based on student different backgrounds, life-experiences, knowledge, skills, and reading of assigned materials is expected. The working language is English.
Guest speakers will be invited to discuss specific issues from various perspectives and/or based on different fields of professional expertise.

4. Course requirements and grading

Students are required to make presentations at least twice either on a topic of his/her interest or on one of her/his choice from the subjects given by the instructor. Each student is also required to submit reports based on the presentation in the middle and at the end of the course.

Also, students are required from time to time to write a short note (up to about 600 words) about one of the readings assigned for a particular class and to submit the note by e-mail at least twenty four (24) hours before the beginning of the class. Unless otherwise instructed, the note should cover: (a) your understanding of key ideas and questions raised by the author, (b) terms and concepts that you need clarification, and (c) issues identified for further discussion.

The course grade will be based on:

Presentations 35% (10% for mid-term and 25% for final)

Individual reports 35% (10% for mid-term and 25% for final)

Class attendance and participation 30%

5. Required readings

Required readings, mainly excerpts taken selectively from the following reference books and other materials, will be either made available on the course website or handed out in class. While students are not required to purchase any reference materials listed below, the two books marked with a "#" sign (Coggan 2011, and Reinhart and Rogoff 2009) are easily available in paperback and may be a useful source of information and ideas to help students work on issues of sovereign defaults.


6. Course outline (preliminary)

Day 1: Introduction

As an introduction to the subject, students learn a couple of recent cases of financial crisis and sovereign defaults by listening to chapters (audio) of a book written by Michael Lewis, a non-fiction writer. Also, students are given an opportunity to watch the related videos on The Economist, Financial Times, and IMF websites. Then, the instructor will present the aim of this course as well as the teaching methods and approaches to follow. Students are asked to share with others in class their motivation to work on the subject and their backgrounds, life-experiences, knowledge, skills and so on.

Readings

Assignments
Students are required to write and to submit a short note (up to about 400 words) about her/his motivation to work on the issues related to sovereign defaults. Students are also asked to read Reinhart and Rogoff (2009, xxxix-xlv) as well as Hatchondo, Martinez, and Sapriza (2011, 137-147) in order to be ready for class discussion on Day 2.

Day 2: Overview of the key concepts

Readings

**Assignments**

Students are required to read Reinhart and Rogoff (2009, 3-20 and 51-67) in order to be ready for class discussion on Day 3.

**Day 3: Debt crises and sovereign defaults**

**Readings**


**Day 4: History of sovereign defaults (1)**

**Day 5: History of sovereign defaults (2)**

**Day 6: History of sovereign defaults (3)**

**Day 7: Student presentation (for mid-term report)**

**Day 8: Sovereign debt restructuring (1)**

**Day 9: Sovereign debt restructuring (2)**

**Day 10: Sovereign risk assessment (1)**

**Day 11: Sovereign risk assessment (2)**

**Day 12: Political nature of sovereign defaults**

**Day 13: Economic aspects of sovereign defaults**

**Day 14: Discussion on selected issues**

**Day 15: Student presentation (for final report)**

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