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**Field courses attended:**

* **Topics in Political Economy I**
* **Advanced International Economics I**
* **Macroeconomics of Imperfect Capital Markets**
* **Macroeconomic Computation**
* **Topics in International Finance**
* **Seminar in American Economic Development**

**Major: International Finance / Economic History**

**Minor : Macroeconomics**

**Year of Advance to Candidacy: 2014**

**Committee to dissertation: Professors John Wallis, Sebnem Kalemli-Ozcan, John Shea and Ethan Kaplan.**

**Expected date off completion: May 2016.**

My main research interests are the topics related to the international financial architecture and financial links such as capital flows. My master’s thesis analyzed how a global lender of last resort could change outcomes in a model inspired by Chang and Velasco (2001). The conclusion was that the introduction of an institution such as the IMF could lead to worse outcomes than originally achieved. My experience analyzing economies and global trends in a financial institution after my master’s degree just enhanced the need to understand the link between countries in terms of a general equilibrium. Since the theory explaining international financial arrangements usually lag behind the real world developments, most of the questions related to the current international financial arrangement are still unanswered. The issue that led me to research was the sustainability of the dollar as the global reserve currency. As someone who likes Economic History, I could compare the current international arrangements with others that existed throughout recent history and I knew that this theme regularly acquires importance.

What did I achieve in terms of this general topic? I have coauthored two papers during summer periods working at the International Monetary Fund. Both are derived from a new database I created encompassing financial flows to low income countries (LICs). Since this database was the first to bring detailed information about LICs, we were able to detect several novel results, including the growth of private flows to LICs and some particularities with respect to how their economic cycle is affected. These papers introduce one important issue to international finance: how the integration of low-income countries into the international financial system can affect their economies.

During another summer at the European Central Bank, an institution that is intrinsically interested in international monetary arrangements, I was engaged in a project related to the construction of a model of banking network. This is yet another aspect of the analysis of international monetary arrangements, since international bank networks (especially the connections between global systemically important institutions) channel a great deal of the international capital flows. The study of how those banks may react to the adoption of macroprudential measures by policymakers is an important part of the understanding of how to achieve equilibrium in the global monetary system.

My first paper during the PhD training was “Reserve Currencies as Bubbles”. In this paper, I replicated the Breton Woods II framework in a simple model. In this framework, a developing and growing country (China) expands its holdings of securities from a mature country (US). The point of interest is that China may be expanding its holdings of American securities because it believes that it will grow more in the future and be able to buy even more securities, making the future US solvent. In this sense, this is a bubble equilibrium, since the US would only be able to pay its liabilities by issuing more liabilities. In the particular case of this model, I ruled out this equilibrium by using the Santos-Woodford condition (Santos and Woodford 1997).

My dissertation title is “An Exorbitant Privilege in the First Age of International Financial Integration” and it is an intersection between International Finance and Economic History. The idea of this paper came to me when studying the whole literature related to exorbitant privilege, relaunched by Gourinchas and Rey (2007). I noticed that most of the literature only treated the case of the US dollar during the last quarter of the twentieth century. This is only natural since the dollar is the only global reserve currency of the last 70 years. It is impossible to compare the dollar to any other currency in the late twentieth century since no other currency had the status of global reserve currency for the same period. To be able to compare the dollar as a global reserve currency to other global reserve currency it was necessary to look for the previous period with similar financial characteristics to the late twentieth century: the period 1871-1914, when the pound sterling was the global reserve currency. What enhanced this perception was my passion for Economic History and the knowledge that this theme has not been studied in the Economic History literature as well.

The immediate challenge was the lack of data with respect to Britain’s external asset position for that period. I developed a new database on financial securities traded on the London Stock Exchange in the period 1869-1914. With this work, which is still in progress, I am able to replicate most of the analysis of the literature done to the US. The main goal is to assess if Britain enjoyed an exorbitant privilege derived from the position of the pound as the global international currency of that period. My preliminary results indicate that Britain did enjoy a similar advantage. This means that the US receives extraordinary resources from the rest of the world not because of some intrinsic and unique American characteristic, but because it is the country that issues the global reserve currency. If China becomes the issuer of the global reserve currency, it would probably also receive an exorbitant privilege.

As exemplified above, most of my achievements are empirical and related to the creation and analysis of databases. With respect to the database used in my job market paper, the continuation of the work will lead to several interesting projects, which will be helped by the acquisition of a collection of the Stock Exchange Yearbook, result of a fellowship conceded to me by the Department of Economics of the University of Maryland. Since the database is composed by microdata, I will be capable to go beyond the exorbitant privilege literature to the US and treat seriously the risk characteristics of Britain’s international investment position. Besides that, I will be able to analyze empirically the causes of exorbitant privilege by making appropriate econometrics tests with respect to risk, liquidity and other factors such as legal system. Since those procedures are not possible with aggregate data, the literature with respect to the American exorbitant privilege is mute with respect to the origins of exorbitant privilege. The phenomenon is taken as an existent factor without explanation. Other examples of how the data can be used are:

1) The study of the rise of the dollar as the main international currency, and if it occurred before the first war, as result of a change in the American legislation or restructuring of an important economic sector and

2) How British military interventions in colonies affected the prices of assets.

3) The relationship between the global reserve currency and commodities.

In general, the inauguration of this new data source opens many paths of research. The first step is to continue the work of cleaning and organizing the data, which will take several months. My other general research interests besides International Finance and Economic History are Economic Growth and Development, Institutional Economics, Urban and Transportation Economics.

**References**

Chang, R., & Velasco, A. (2001). A model of financial crises in emerging markets. *Quarterly Journal of Economics*, 489-517.

Gourinchas, P. O., & Rey, H. (2007). From world banker to world venture capitalist: US external adjustment and the exorbitant privilege. In *G7 Current Account Imbalances: Sustainability and Adjustment* (pp. 11-66). University of Chicago Press.

Santos, M. S., & Woodford, M. (1997). Rational asset pricing bubbles.*Econometrica: Journal of the Econometric Society*, 19-57.