International Economics
Development Economics

Academic year 2019-2020

Advanced International Macroeconomics A: Selected Topics

EI083 - Autumn - 3 ECTS

Tuesday 10h15 - 12h00

Course Description

This course provides a graduate-level treatment of selected advanced topics in international macroeconomics determined partly by the interests of class participants. Sample topics are: international risk sharing; trade-macro linkages; sovereign debt and default; the macroeconomics of innovation; models of exchange rate and international monetary policy interactions; and emerging market business cycles. The class will involve presenting and discussing current papers, and writing referee reports. After taking this course, students will be expected to develop a critical and creative approach to reading and evaluating the recent literature in international macroeconomics for the purpose of improving one’s own research.

Syllabus

[Tentative; revised version on first day of class]

Prerequisites: Masters Macroeconomics sequence at IHEID or their equivalent. I will assume familiarity with material at the level of Advanced Macroeconomics (Romer) and Foundations of International Macroeconomics (Obstfeld and Rogoff, OR henceforth). Specifically, I would like you to review the following chapters from OR before the start of the course. Chapters 1, 2: sections 1.1 (except 1.1.7), 1.2, 1.3.1, 1.3.2; 2.1, 2.2 (except 2.2.2), 2.3 (except 2.3.5 and 2.3.6), 2.5 (except 2.5.2.3 and 2.5.3).

Course materials: The lectures will be taught using slides, and will be based on presentations of classic and recent papers by students and myself. I will e-mail the slides to you in advance. The following books provide good background material and technical references:

1) Foundations of International Macroeconomics (Obstfeld and Rogoff, OR henceforth)
2) Monetary Theory and Policy (Carl Walsh, Third edition)
3) International Macroeconomics and Finance (Mark)
4) *Advanced Macroeconomics* (Romer)
5) *Recursive Methods in Economic Dynamics* (Stokey and Lucas)
6) *Mathematics for Economists* (Simon and Blume)
7) *Microeconomic Theory* (Mas-Colell, Whinston and Green)

**Grades:** The final grade on the course will be a weighted average of a referee report (total 40%), class participation (total 20%), and paper presentation(s) and/or discussions (40%).

**Presentation guidelines**

Depending on the number of student enrolled, you will either be presenting two papers or presenting one paper/discussing another paper. Presentation/discussions together will carry a weight of 40%. The length etc. will be decided depending on enrolment. In case of two presentations, they should each be 35-40 minutes long. Class involvement and comments made during others’ presentations will comprise the remaining 20%.

In case of two presentations: For one of the presentations, I will ask you to present a paper of my choice from the reading list. The purpose of this is to get you used to reading and understanding papers that may not have anything to do with your specific research interests.

In case of two presentations, for the second paper you can choose a paper to present from any of the topics listed depending on your own research interests, subject to my final approval (in some cases if too many students choose the same topic I might need to reallocate). This paper can either be: (i) from the papers listed in the syllabus; or (ii) You can also select a paper not on the syllabus to present subject to certain criteria set out next. The selected papers need to fulfill the following criteria: a) They have been published in this millennium; b) They are from the following journals: Econometrica, *Journal of Economic Theory*, *Journal of Political Economy*, American Economic Review, Quarterly Journal of Economics, Review of Economic Studies, Journal of International Economics, Journal of Monetary Economics, Review of Economics and Statistics, Journal of Money, Credit, and Banking, *Journal of Finance*, International Economic Review, *Journal of the European Economics Association*, Review of Financial Studies, *Journal of Financial Economics*; c) the questions they address have to be in the area of international macroeconomics, international finance, and/or pertinent technical papers, for example one introducing a novel mathematical technique; d) They can be working papers, but you will need to consult me and convince me that it is an interesting and promising paper.

Depending on enrolment, if we only end up having one presentation, you can pick a paper of your choice as above.

Discussion guidelines will be communicated later.

**Referee report guidelines**

The paper for the report will be assigned by me to maintain comparability across submissions. These will usually be recent working papers.

The report should be 2-3 pages long single spaced. You should break up the report into paragraphs. The first should deal with the question the paper addresses, and why it is an important question in the context of the literature. The second paragraph should summarize the main findings of the paper. The third paragraph should deal with how the paper arrives at its findings, and its methods. The rest of the report should deal with what you perceive as the shortcomings of the paper, and constructive suggestions that could improve the paper. Try to be creative in these parts. You should put a lot of care in writing the report because writing clearly and effectively is a very important skill for an economist.

**Reading list:**

1. **Small open economy models**

2. International business cycles

2a. Real models


2b. International transmission of real shocks


2c. International risk-sharing: theory and empirics


2d. Business cycle accounting and international wedges


3. Capital Flows in International Macroeconomics

3a. Empirical facts


3b. Theory of country portfolios


3c. Related technical papers


3d. Global Imbalances and the Allocation Puzzle


4. Emerging market business cycles


5. International prices, exchange rates, and related puzzles

5a. Nominal exchange rates: Facts

5.b. Nominal and real exchange rates: Theory and Policy Implications


5c. Failure of the Law of One Price


6. Sovereign debt

6.a The composition, direction and volatility of capital flow


6b Sovereign debt: Classical theory


6c Sovereign debt: Extensions

6. Financial Crisis

6.a (i) Empirical facts


6.a (ii) Empirical facts about capital flows during crises


6.b. First generation models


6.c. Self-Fulfilling Expectation and Crises (Second-Generation Models)


6.d. Credit Frictions and Crises/Sudden Stops (Third Generation Models)


6.e. Recent work

Tentative schedule [TO BE FINALIZED AFTER ENROLMENT COMPLETES]:

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