THE GRADUATE INSTITUTE GENEVA

INSTITUT DE HAUTES ÉTUDES INTERNATIONALES ET DU DÉVELOPPEMENT
GRADUATE INSTITUTE OF INTERNATIONAL AND DEVELOPMENT STUDIES

International Economics
Development Economics

Academic year 2019-2020

Macroeconomics B

EI060 - Printemps - 6 ECTS

Wednesday 12h15 - 14h00

Course Description

This course is the continuation of the macroeconomics sequence for MIS students. While it covers a broad range of issues in international macroeconomics using a mix of dynamic models and classic papers, the main focus of the course will be on business cycles. After taking this course, students will be expected to have an overview of the basic facts of business cycles in a cross section of countries; graduate-level understanding of the workhorse models of business cycles in small and large open economies, and select advanced topics in international macroeconomics such as sovereign debt and default; and a working knowledge of how to implement business cycle modeling of the kind used by academics and practitioners such as central banks.

PROFESSOR

Rahul Mukherjee

Office hours

ASSISTANT

Ying Xu

Office hours

Syllabus

Prerequisites: Macro A or equivalent closed-economy master level macroeconomics course.

Course materials: We will be using *Open Economy Macroeconomics* by Martin Uribe and Stephanie Schmitt-Grohé (Princeton University Press, 2017), abbreviated as SGU henceforth, as our main textbook. We will cover *selected chapters and sections.* I will also cover as classic papers for certain topics that lack good coverage in this or other existing textbooks.

The course will be taught from slides. The slides for each session will be e-mailed to you in advance of that session so that you can take in-class notes on them if necessary. I will e-mail a second version to you after class with corrections (if any) and including only those parts that we covered. The slides will follow the underlying material (textbook or paper) closely and are meant to guide the discussion in the class rather than being standalone material for you to study. You should still study the underlying or additional prescribed material to understand the full details.

Grades: The final grade on the course will be a weighted average of **two graded homework assignments** (50%) and a **final** (50%).

Homework assignments: Assignments will involve problem-solving, either analytical (i.e. pen and paper) or numerical (i.e. involving a computer), as well as data analysis. You are encouraged to submit these assignments in groups of up to three. The assignments must be submitted in hard copy and typed up in MS Word or using Latex (with equations etc.). Since typing up all steps of your calculations is tedious, you may submit a handwritten but absolutely legible appendix showing all the steps of your derivations. Assignments will be due at the beginning of the review session on the date mentioned on the course schedule. Late assignments will **not** be accepted. Depending on your interests and how we progress, I might decide to have each group present an academic paper or the findings from a homework assignment in class.

Final Exam: The final exam will be cumulative and closed-book. Your final grade in the course will be a weighted average of the scores in the problem sets and the final.

Course schedule: Below is a ***tentative*** course schedule of the main class. I might revise it as the course progresses to include or exclude topics depending on our pace. The schedule outlines the main topics we will definitely try to cover, and leaves some of the more advanced topics unspecified so that I can gauge the interests and level of the class first. I have left the "readings" part of the syllabus unspecified in those cases as well. The tutorial schedule will be provided separately by Giulia.

Date	**Readings/assignments**	**Topics**
Week 1		
Class 1	SGU Chapter 1, all sections	Course intro; business cycle facts
Week 4		
Class 2	SGU Chapter 2, all sections	Fundamentals of modelling open economies: Small open economy (SOE) with endowments
Week 4		
Class 3	SGU Chapter 3, all sections	Fundamentals of modelling open economies: SOE with capital
Week 4		
Class 4	SGU Chapter 4, all sections except 4.9, 4.11, 4.13	SOE international business cycles
Week 5		
Class 5	Backus, David K., Patrick J. Kehoe, and Finn E. Kydland. "International real business cycles." Journal of political Economy 100.4 (1992): 745-775. *Optional:* Ambler, Steve, Emanuela Cardia, and Christian Zimmermann. "International business cycles: What are the facts?." Journal	Transmission of shocks: Large open economy (LOE) international business cycles without international prices; risk sharing puzzle

	of monetary economics 51.2 (2004): 257-276.	
Week 6		
Class 6	Backus, David K., Patrick J. Kehoe, and Finn E. Kydland. "Dynamics of the Trade Balance and the Terms of Trade: The J-Curve?." The American Economic Review 84.1 (1994): 84-103.	Transmission of shocks: LOE international business cycles through international prices;
Week 7		
Class 7	Chari, Varadarajan V., Patrick J. Kehoe, and Ellen R. McGrattan. "Can sticky price models generate volatile and persistent real exchange rates?" The Review of Economic Studies 69.3 (2002): 533-563. *Optional:* Backus, David K., and Gregor W. Smith. "Consumption and real exchange rates in dynamic economies with non-traded goods." Journal of International Economics 35.3-4 (1993): 297-316. *Optional:* Corsetti, Giancarlo, Luca Dedola, and Sylvain Leduc. "International risk sharing and the transmission of productivity shocks." The Review of Economic Studies 75.2 (2008): 443-473. **Problem Set 1 due**	Real exchange rates; Backus Smith puzzle
Week 8		
Class 8	Obstfeld, Maurice, and Kenneth Rogoff. "Exchange rate dynamics redux." Journal of political economy 103.3 (1995): 624-660. Textbook version: Walsh, Carl E. Monetary theory and policy. MIT press, 2017. Chapter 9.1, 9.2	Nominal exchange rates and monetary policy
Week 9		
No class due to Easter Break		
Week 10		

Class 9	Benigno, P., "Optimal Monetary Policy in a Currency Area," Journal of International Economics, 2004. *Optional:* Alesina, A., R. Barro, and S. Tenreyro, "Optimal Currency Areas," NBER Macroeconomics Annual, 2002. McKinnon, Ronald I. "Optimum currency areas." The American Economic Review 53.4 (1963): 717-725.	Nominal exchange rates and monetary policy
Week 11		
Class 10	Eaton, Jonathan, and Mark Gersovitz. "Debt with potential repudiation: Theoretical and empirical analysis." The Review of Economic Studies 48.2 (1981): 289-309. Bulow, Jeremy, and Kenneth Rogoff. "Sovereign Debt: Is to Forgive to Forget?." The American Economic Review (1989): 43-50. Textbook version: SGU Chapter 13	Sovereign debt and default
Week 12		
Class 11	Aguiar, Mark, and Gita Gopinath. "Defaultable debt, interest rates and the current account." Journal of international Economics 69.1 (2006): 64-83.	
Week 13		
Class 12	**TBD** **Problem Set 2 due (tentative)**	**TBD**
Week 14		
	Tentative date for final	