ECON 635: MONETARY INTERNATIONAL ECONOMICS

This course covers graduate-level open-economy macroeconomics. We begin from stylized facts of macro variables in both industrialized and developing countries. Next, we explore models that attempt to explain them. The course places an emphasis on the dynamic adjustment of current account and exchange rates. We also discuss some numerical methods to solve these models. Later, we shift our focus to exchange rate policy and currency crises. Finally, we investigate the benefits of capital flows.

TEXTBOOKS

There are no required textbooks. We discuss articles in the reading list and chapters from *Foundation of International Macroeconomics*, by Obstfeld and Rogoff (1996), MIT Press (OR). For background readings, see the following books:

EVALUATIONS

- Three problem sets, which are mixture of theoretical and computational exercises:
  - PS1 will be given on 10/28 and due on 11/11 (20 points).
  - PS2 will be given on 11/16 and due on 11/30 (20 points).
  - PS3 will be given on 11/30 and due on 12/14 (20 points).
- Two referee reports on two articles in the reading list which are not discussed in class. Due dates: 11/23 and 12/18 (20 points each)

READING LIST

The readings without asterisks are required and listed by the order in lectures. Those with an asterisk are for further reading. Those with two asterisks are not discussed in class and can be selected for referee reports.

<table>
<thead>
<tr>
<th>Lecture (Date)</th>
<th>Topics and Readings</th>
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<td>1 (10/21)</td>
<td>1. Methodology in business cycles studies</td>
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# 2. Current account dynamics

## Evidence


## Theory

**Current account in two-period one-country models**

2.4. OR Ch 1.1-4

**Current account in multi-period one-country models**

2.5. OR Ch 2.1-5


**Current account in multi-period two-country models**


3. Exchange rate determination

Evidence


Theory

Flexible price

3.8. OR Chapter 8.3.1-8.3.6


Sticky price with producer currency pricing

3.10. OR Chapter 10.1–10.3


Sticky price with local currency pricing


3.19. *Journal of Monetary Economics* 49(5), 913-940

**Trade costs and goods market segmentation**


**Imperfection of asset markets**


**Market microstructure**


4. **Exchange rate policy**

**Evidence**


4.2. Rose, A.K. and J. Frankel (2002). An estimate of the effect of


** Theory

Exchange rate targeting


| 5. ** Currency Crises** |
| **Inconsistent policy and crises** |
| **Self-fulfilling crises and banking crises** |


6. ** Gains from capital flows**


