

International Economics

Academic year 2024-2025

International Finance

El115 - Autumn - 6 ECTS

Monday 12h15 - 14h00

Course Description

This course will be based on the textbook Open Economy Macroeconomics by Martín Uribe and Stephanie Schmitt-Grohé complemented by journal articles. The course will start with a canonical general equilibrium model of an open economy and then build levels of complexity through the coverage of important topics such as international business-cycle analysis, financial frictions as drivers and transmitters of business cycles and global crises, sovereign default, pecuniary externalities, involuntary unemployment, optimal macroprudential policy, and the role of nominal rigidities in shaping optimal exchange-rate policy. We will dedicate one class to the discussion of the New IMF integrated Policy framework. The last 4 lectures will be dedicated to the economics of sovereign debt.

> PROFESSOR

[Ugo Panizza](#)

[Office hours](#)

> ASSISTANT

[Office hours](#)

IMPORTANT

Regular attendance is compulsory, and any absence must be promptly communicated to the teacher. In the event of missing more than two sessions, students are expected to provide well-documented justifications for unforeseeable circumstances (e.g. illness, accident, death of a relative), directly to the Direction of Studies. Failure to justify absences beyond two sessions will result in the assignment of code N.

Students are also reminded of the following legal rules:

The teacher owns the **copyright** on the material they created for this course. As such, any reproduction or distribution of this document, in whole or in part, as well as of any other material created by the teacher for the course, is prohibited unless permission is granted by the author.

Recording (as video or audio) a course without the consent of the teacher and other participants is strictly forbidden.

Syllabus

The syllabus below and grading scheme is tentative, and it might be adjusted depending on class size and preferences.

Grading

The grade will be based on a final exam

Tentative Course Outline

September 23-30. Introduction and review of open endowment economy

- Readings: Chapters 2 and 3 of Martine Uribe and Stephanie Schmitt-Grohé Open Economy Macroeconomics, Princeton University Press, 2017 (henceforth US-G).

October 7. Open economy RBC model

- Readings: Chapter 4 of US-G.

October 14 Shocks: productivity and financial frictions

- Readings: Chapter 5 of US-G.

October 21. Interest rates Shocks

- Readings: Chapter 6 of US-G.

October 28. Nominal rigidity exchange rate and unemployment

- Readings: Chapter 9 of US-G (excluding 9.5-9.11 and 9.13-9.16).

November 4. Exchange rate policy and capital control

- Readings: Chapter 10 of US-G. (excluding 10.5-10.8)

November 11. An Integrated Policy Framework (IPF) Diagram for International Economics

Readings: Basu and Gopinath (2024) <https://www.imf.org/en/Publications/WP/Issues/2024/02/23/An-Integrated-Policy-Framework-IPF-Diagram-for-International-Economics-545125>

November 18-December 9 (4 classes). Sovereign debt

Readings (not all of these, details will be provided)

Chapter 13 of US-G

- Anna Gelpern & Ugo Panizza, 2022. "Enough Potential Repudiation: Economic and Legal Aspects of Sovereign Debt in the Pandemic Era, Annual Review of Economics <https://www.annualreviews.org/doi/abs/10.1146/annurev-economics-051420-015731>
- Mitchener, Kris James, and Christoph Trebesch. 2023. "Sovereign Debt in the Twenty-first Century." Journal of Economic Literature, 61 (2): 565-623.
- Bolton, Patrick and Panizza, Ugo and Gulati, Mitu, Sovereign Debt Puzzles (December 6, 2022). Annual Review of Financial Economics, Available at SSRN: <https://ssrn.com/abstract=4294566>
- Aguiar, Mark and Manuel Amador (2021) The Economics of Sovereign Debt and Default, Princeton University Press
- Calvo, Guillermo A, 1988. "Servicing the Public Debt: The Role of Expectations," American Economic Review, American Economic Association, vol. 78(4), pages 647-661, September.
- Grossman, Herschel I., and John B. Van Huyck. "Sovereign Debt as a Contingent Claim: Excusable Default, Repudiation, and Reputation." The American Economic Review, vol. 78, no. 5, 1988, pp. 1088-97.
- Collard, Fabrice & Habib, Michel Antoine & Panizza, Ugo & Rochet, Jean-Charles, 2022. "Debt Sustainability with Involuntary Default," CEPR Discussion Papers 17357, C.E.P.R. Discussion Papers.
- Viral V. Acharya & Raghuram Rajan & Jack Shim, 2022. "When is Sovereign Debt Odious? A Theory of Government Repression, Growth Traps, and Growth Boosts," NBER Working Papers 30296, National Bureau of Economic Research, Inc.
- Viral V. Acharya & Raghuram G. Rajan, 2013. "Sovereign Debt, Government Myopia, and the Financial Sector," Review of Financial Studies, Society for Financial Studies, vol. 26(6), pages 1526-1560.

- Atish R. Ghosh & Jun I. Kim & Enrique G. Mendoza & Jonathan D. Ostry & Mahvash S. Qureshi, 2013. "Fiscal Fatigue, Fiscal Space and Debt Sustainability in Advanced Economies," Economic Journal, Royal Economic Society, vol. 0, pages 4-30, February.

December 16. Final examination