

# International Finance

Graduate Institute of International and Development Studies (Geneva)

## Course information

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|---------------------------|---|
| <b>Term / credits</b>     | Spring 2026 — 6 ECTS  |
| <b>Meeting time</b>       | Fridays, 14:15–16:00 (weekly, starting <b>Fri 13 February 2026</b> )  |
| <b>Office hours</b>       | Fridays, 16:30–18:30 (same day as class, by appointment)  |
| <b>Instructor</b>         | Filippo Pallotti  |
| <b>Email</b>              | <a href="mailto:filippo.pallotti@ucl.ac.uk">filippo.pallotti@ucl.ac.uk</a>  |
| <b>Location</b>           | Chem. Eugène-Rigot 2, 1202 Genève   |
| <b>Cross-registration</b> | <a href="https://www.graduateinstitute.ch/visiting-students">https://www.graduateinstitute.ch/visiting-students</a> |

## Course description

This course develops a model-based toolkit for analyzing open-economy dynamics and policy. We begin with the intertemporal approach to the current account. We then study open-economy RBC and the propagation of productivity and financial shocks, before introducing nominal rigidities and their implications for exchange-rate regimes. The second half of the course covers the IMF's Integrated Policy Framework (IPF), as well as recent research on advanced-economy transmission mechanisms with heterogeneous agents: (i) the real-income channel following a depreciation (ii) temporary tariff shocks. We use tariff shocks both as import-price shocks with short-run macro and monetary-policy implications, and as a bridge to a geoeconomics perspective on economic coercion and fragmentation. The final part covers sovereign debt and default, combining empirical regularities and the core logic of Eaton–Gersovitz style models.

## Learning objectives

By the end of the course, students should be able to:

- Formulate and solve canonical small-open-economy environments using intertemporal budget constraints, Euler equations, and market-clearing conditions.
- Map economic narratives (sudden stops, peg-induced unemployment, tariff-driven stagflation, default episodes) into equilibrium objects and testable implications.
- Analyze the role of nominal rigidities for external adjustment and the design of monetary and exchange-rate policy.
- Explain why exchange-rate movements can be expansionary or contractionary depending on trade elasticities and intertemporal marginal propensities to consume.
- Understand the empirical regularities of sovereign default and the main building blocks of quantitative sovereign-debt models.

## Assessment

- **Final exam: 100%.** The exam emphasizes equilibrium reasoning, derivations, and interpretation/policy questions.

## Main required textbook

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press. (Only chapters assigned below are required.)

## Reading policy

- **Required** readings are the core material for the lecture and are examinable.
- **Suggested** readings are optional: one (occasionally two) references per lecture to deepen intuition and connect to the frontier.

## Schedule at a glance

| Date (Fri)  | Lec. | Topic  |
|-------------|------|--|
| 13 Feb 2026 | 1    | Intertemporal approach I: consumption-saving and the current account (USG Ch. 2)                         |
| 20 Feb 2026 | 2    | Intertemporal approach II: introducing capital and production (USG Ch. 3)                                |
| 27 Feb 2026 | 3    | Open-economy RBC: production, investment and comovement (USG Ch. 4)                                      |
| 06 Mar 2026 | 4    | Shocks I: productivity and financial frictions (USG Ch. 5)   |
| 20 Mar 2026 | 5    | Shocks II: interest-rate shocks and spreads (USG Ch. 6)  |
| 27 Mar 2026 | 6    | Nominal rigidities: exchange rates and unemployment (USG Ch. 9)  |
| 17 Apr 2026 | 7    | Policy toolkit: exchange-rate, fiscal, capital controls (USG Ch. 10)                                     |
| 24 Apr 2026 | 8    | Integrated Policy Framework (IPF): multiple instruments and trade-offs                                   |
| 01 May 2026 | 9    | Heterogeneous-agent open economy: the real-income channel  |
| 08 May 2026 | 10   | Tariff shocks and geoeconomics: policy-induced import-price shocks, stabilization, and economic coercion |
| 15 May 2026 | 11   | Sovereign debt I: facts and a case study (USG Ch. 13, selected)  |
| 22 May 2026 | 12   | Sovereign debt II: theory (USG Ch. 13)   |
| 29 May 2026 | Exam |  |

## Detailed lecture outline and readings

### Lecture 1 (February 13) — Intertemporal approach I: consumption–saving and the current account

#### Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 2.

**Lecture 2 (February 20) — Intertemporal approach II: capital and production****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 3.

**Lecture 3 (February 27) — Open-economy RBC****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 4.

**Suggested:**

- Mendoza, Enrique (1991). “Real Business Cycles in a Small Open Economy.” *American Economic Review*.

**Lecture 4 (March 6) — Shocks I: productivity and financial frictions****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 5.

**Lecture 5 (March 20) — Shocks II: interest-rate shocks and spreads****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 6.

**Suggested:**

- Neumeyer, Pablo and Fabrizio Perri (2005). “Business Cycles in Emerging Economies: The Role of Interest Rates.” *Journal of Monetary Economics*.
- Uribe, Martín and Vivian Yue (2006). “Country Spreads and Emerging Countries: Who Drives Whom?” *Journal of International Economics*.

**Lecture 6 (March 27) — Nominal rigidities, exchange rates, and unemployment****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 9 (excluding sections assigned as optional in class).

**Lecture 7 (April 17) — Exchange-rate policy, fiscal policy, and capital controls****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 10 (excluding sections assigned as optional in class).

**Lecture 8 (April 24) — Integrated Policy Framework (IPF): a diagrammatic approach****Required:**

- No required reading beyond lecture notes.

**Suggested:**

- Basu, Suman and Gita Gopinath (2024). “An Integrated Policy Framework (IPF) Diagram for International Economics.” IMF Working Paper WP/24/38.

**Lecture 9 (May 1) — Heterogeneous-agent open economy: the real-income channel****Required:**

- No required reading beyond lecture notes.

**Suggested:**

- Auclert, Adrien *et al.* “Exchange Rates and Monetary Policy with Heterogeneous Agents: Sizing up the Real Income Channel.” [https://web.stanford.edu/~aaucclert/ha\\_oe.pdf](https://web.stanford.edu/~aaucclert/ha_oe.pdf)
- Jupyter Notebook [https://github.com/shade-econ/nber-workshop-2025/blob/main/notebooks/lecture7\\_open\\_economy.ipynb](https://github.com/shade-econ/nber-workshop-2025/blob/main/notebooks/lecture7_open_economy.ipynb)
- Auclert, Adrien, Matthew Rognlie, and Ludwig Straub “The Intertemporal Keynesian Cross”, *Journal of Political Economy*, 2024.
- Kaplan, Greg, Benjamin Moll, and Giovanni L. Violante (2018). “Monetary Policy According to HANK.” *American Economic Review*.

**Lecture 10 (May 8) — Tariff shocks and geoeconomics: policy-induced import-price shocks, stabilization, and economic coercion****Required:**

- No required reading beyond lecture notes.

**Suggested:**

- Auclert, Adrien *et al.* “The Macroeconomics of Tariff Shocks” [https://shade-econ.github.io/tariff\\_shocks.pdf](https://shade-econ.github.io/tariff_shocks.pdf)
- Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “A Theory of Economic Coercion and Fragmentation” [https://globalcapitalallocation.s3.us-east-2.amazonaws.com/CMS\\_fragmentation.pdf](https://globalcapitalallocation.s3.us-east-2.amazonaws.com/CMS_fragmentation.pdf)
- Amiti, Mary, Stephen J. Redding, and David E. Weinstein (2019). “The Impact of the 2018 Tariffs on Prices and Welfare.” *Journal of Economic Perspectives*.

**Lecture 11 (May 15) — Sovereign debt I: facts, costs of default, and a case study****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 13 (empirics and motivation; sections assigned in class).

**Suggested:**

- Caselli, Francesca, Matilde Faralli, Paolo Manasse, and Ugo Panizza (2025). "On the benefits of repaying." *ournal of the European Economic Association*.

**Lecture 12 (May 22) — Sovereign debt II: theory****Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 13 (theory sections).

**Exam (May 29)**

- The exam emphasizes equilibrium reasoning, derivations, and interpretation/policy questions.