

# Advanced International Macroeconomics

Syllabus

Spring 2024

## Course Information

- Course Code: XX
- Credits: 6
- Department: Economics
- Prerequisites: Advanced Macroeconomics, Static Optimization
- Instructor: Gabriel Marin
- Email: gmarinmunoz@iadb.org
- Office Hours: TBD

## Course Description

This course focuses on the theory of international financial and trade issues, particularly in developing economies. Topics include exchange rates, capital flows, trade policies, and macroeconomic policy in an open economy.

## Learning Objectives

1. Understand the functioning of the real exchange rate, the trade balance, and international markets.
2. Analyze trade openness and the implications in economic crises like sudden stop episodes.
3. Learn the role of fiscal policy in open economy contexts.
4. Interpret the optimal fiscal policy in an open economy.

## Textbook and Resources

- Végh, C. A. (2013). Open economy macroeconomics in developing countries. MIT press.
- There are readings that accompany each theoretical model.

## Course Schedule

### Week 1: Math Camp

- Topics: Constrained optimization.

### Week 2: A Basic Model of a Small Open Economy

- Readings: Végh (2013) - Chapter 1. Tornell, A., & Lane, P. R. (1998). Are windfalls a curse?: A non-representative agent model of the current account. *Journal of International Economics*, 44(1), 83-112.

### Week 3-4: The Role of Investment

- Readings: Végh (2013) - Chapter 1. Baxter, M., & Crucini, M. J. (1993). Explaining saving–investment correlations. *The American Economic Review*, 416-436. Coughlin, C., & Pollard, P. S. (2001). What drives large current account deficits?. *International Economic Trends*, (May).

### Week 5: Financial Autarky

- Readings: Végh (2013) - Chapter 2. Paxson, C. H. (1993). Consumption and income seasonality in Thailand. *Journal of political Economy*, 101(1), 39-72.

### Week 6: Uncertainty in the Basic Model

- Readings: Végh (2013) - Chapter 2. Gertler, P., & Gruber, J. (2002). Insuring consumption against illness. *American economic review*, 92(1), 51-70.

### Week 7: Overborrowing

- Readings: Végh (2013) - Chapter 3. Reinhart, C., & Vegh, C. (1999). Do Exchange Rate-Based Stabilizations Carry the Seeds of Their Own Destruction?.

## **Week 8: Intertemporal Distortions**

- Readings: Végh (2013) - Chapter 4. Calvo, G. A. (1998). Capital flows and capital-market crises: the simple economics of sudden stops. *Journal of applied Economics*, 1(1), 35-54. Calvo, G. A., Izquierdo, A., & Talvi, E. (2006). Sudden stops and phoenix miracles in emerging markets. *American Economic Review*, 96(2), 405-410. Calvo, G. A. (1987). On the costs of temporary policy. *Journal of development economics*, 27(1-2), 245-261. Benigno, G., Converse, N., & Fornaro, L. (2015). Large capital inflows, sectoral allocation, and economic performance. *Journal of International Money and Finance*, 55, 60-87.

## **Week 9: Fiscal Policy**

- Readings: Végh (2013) - Chapter 10. Bartolini, L., & Lahiri, A. (2006). Twin deficits, twenty years later. Barro, R. J. (1981). Output effects of government purchases. *Journal of political Economy*, 89(6), 1086-1121.

## **Week 10: Optimal Fiscal Policy**

- Readings: Végh (2013) - Chapter 10. Barro, R. J. (1979). On the determination of the public debt. *Journal of political Economy*, 87(5, Part 1), 940-971.

## **Week 11: Review and Final Exam**

- Topics: Review of key concepts and models

## **Assignments and Grading**

- Midterm Exam: 20%
- Final Exam: 30%
- Problem Sets: 50%

## **Academic Integrity**

All students are expected to adhere to the university's academic integrity policy.

## **Disability Accommodations**

Students with disabilities should contact the Disability Services Office.