

## **Advanced International Economics I: International Macroeconomics**

**(Summer semester 2013)**

### **Preliminary Program and References**

(This version: April 23, 2013)

**Note:** The transparencies used in this course as well as further information are available in **ReaderPlus**. Recommended readings are given in brackets.

#### **1. Introduction**

#### **2. The Balance of Payments: A Review**

- 2.1. The balance of payments (IMF 2011 and 2012, PhH 2, K/O 12, CvM2)
- 2.2. Savings, investment, and the current account (PhH3, K/O 12)

#### **3. Intertemporal Trade: The Basic Representative-Consumer Model**

- 3.1. Motivating the intertemporal approach
- 3.2. The basic RC model of a SMOPEC with an exogenous income (O/R 1.1, 2.1; PhH3)
- 3.3. The basic RC model with endogenous output and investment (O/R 2.1, 2.2; PhH3)
- 3.4. Summary and outlook

#### **4. Demographic Structure and the Current Account**

- 4.1. The overlapping generations (OLG) model (O/R 3.1, 3.2; PhH 4.2)
- 4.2. Demographic structure and the current account (O/R 3.1, 3.2; PhH 4.2)

- 4.3. The intertemporal model: A look at the evidence (Chinn and Ito, 2008)
- 4.4. Summary and conclusions

## **5. Uncertainty and International Diversification**

- 5.1. Introducing uncertainty
- 5.2. Precautionary saving and the current account (O/R 2.3.6, PhH 4.5.3)
- 5.3. International portfolio choice (O/R 5.1, 5.2; PhH 4.5.4, 4.5.6)
- 5.4. Interpreting asset prices (O/R 5.1, 5.2; PhH 4.5.5, 4.5.7)
- 5.5. Summary and conclusions

## **6. The Exchange Rate**

- 6.1. Basic concepts and definitions (PhH 8, CvM 18-19)
- 6.2. The monetary model of the exchange rate  
(O/R 8.2; NM 3.2, 3.3; PhH 8.4, CvM 21, 24, 26)
- 6.3. Explaining excess volatility: the Dornbusch model (O/R 9.2; NM 8.2; PhH 8.5)
- 6.4. Summary and conclusions

## **7. Monetary and fiscal policy in open economies**

- 7.1. Motivation
- 7.2. The Mundell-Fleming model (NM 8.1, PhH 9.2, CvM 25, 31)
- 7.3. Beyond the Mundell-Fleming model: The New Open Economy  
Macroeconomics (Corsetti and Pesenti 2008).
- 7.4. Summary and conclusions

## **References**

Harms, Philipp (2008): *Internationale Makroökonomik*, Mohr Siebeck. **(PhH)**

Copeland, Laurence (2005): *Exchange Rates and International Finance*, 4<sup>th</sup> edition, Prentice Hall.

Corsetti, Giancarlo and Paolo Pesenti (2008): "The Simple Geometry of Transmission and Stabilization in Closed and Open Economies", *NBER International Seminar on Macroeconomics 2007*, NBER.

Feenstra, Robert and Mark Taylor (2008): *International Economics*, Worth Publishers.

International Monetary Fund (2011): *Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual*, available at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

International Monetary Fund (2012): *FAQs on Conversion from BPM5 to BPM6*, available at <http://www.imf.org/external/pubs/ft/bop/2007/bpm6faq.pdf>

Krugman, Paul, Maurice Obstfeld, and Marc Melitz (2012): *International Economics – Theory and Policy*, 9<sup>th</sup> edition. Boston (Addison Wesley). **(K/O)**  
(Previous editions are also fine for our purposes.)

Mark, Nelson (2001): *International Money and Finance*, Wiley-Blackwell. **(NM)**

Stock, J. and M. Watson (2007): *Introduction to Econometrics*, 2<sup>nd</sup> edition, Pearson Education.

Van Marrewijk, Charles (2007): *International Economics – Theory, Application and Policy*, OUP. **(CvM)**

Obstfeld, Maurice and Kenneth Rogoff (1996): *Foundations of International Macroeconomics*, MIT Press. **(O/R)**