

International Macroeconomics

Winter Semester 2013/14

Alejandro Cuñat

E-mail: alejandro.cunat@univie.ac.at

Office: Oskar-Morgenstern-Platz 1, 1090 Vienna, 5th floor

Office hours: by appointment

Textbooks:

The course will be based strongly (but not exclusively) on the following textbook:

Obstfeld, M. and K. Rogoff (1996): *Foundations of International Macroeconomics*, MIT Press. (OR)

Other sources, useful for those lacking an International Economics background, but inadequate by themselves are:

Appleyard, D. and A. Field (1995): *International Economics*, McGraw-Hill.

Krugman, P.R. and M. Obstfeld (1997): *International Economics*, Addison-Wesley.

Evaluation

There will be a mid-term exam (50% of the course's grade) and a final exam (50% of the course's grade).

Problem sets will be posted in the course's (moodle) platform for the students' own benefit, but they are not marked.

Topic 1: The Current Account

Dixit, A.K. (1993): *The Art of Smooth Pasting*, Harwood Academic Publishers, pp. 1-9.

Dixit, A.K. and R.S. Pindyck (1994): *Investment under Uncertainty*, Princeton University Press, Chapter 3.

Gourinchas, P.O. and H. Rey (2007): "International Financial Adjustment," *Journal of Political Economy*, Vol. 115, No. 4.

Jin, K. (2009): "Industrial Structure and Financial Capital Flows," manuscript, LSE.

Kraay, A. and J. Ventura (2000): "Current Accounts in Debtor and Creditor Countries," *Quarterly Journal of Economics*, 115: 1137-1166.

Kraay, A. and J. Ventura (2003): “Current Accounts in the Long and the Short Run,” *NBER Macroeconomics Annual 2002*: 65-94.

OR: chapters 1-3.

Topic 2: Uncertainty and International Financial Markets

Cuñat, A. and C. Fons-Rosen (2008): “Relative Factor Endowments and International Portfolio Choice,” CEP Discussion Paper #879.

Kalemli-Ozcan, S., B.E. Sorensen, and O. Yosha (2003): “Risk Sharing and Industrial Specialization: Regional and International Evidence,” *American Economic Review*, 93, 903-918.

Lane, P. and G.M. Milesi-Ferretti (2008): “International Investment Patterns,” *Review of Economics and Statistics*, 90(3), 538-549

OR: chapters 5, 7.

Obstfeld, M. and K. Rogoff (2001): “The Six Major Puzzles in International Macroeconomics. Is There a Common Cause?” *NBER Macroeconomics Annual 2000*.

Topic 3: Imperfections in Capital Markets

Antràs, P. and R. Caballero (2009): “Trade and Capital Flows: A Financial Frictions Perspective,” *Journal of Political Economy*, 117(4), pp. 701-744.

Barro, R.J. and X. Sala-i-Martin (1999): *Economic Growth*, 2nd Edition, MIT Press, chapter 3.

Broner, F., A. Martin, and J. Ventura (2009): “Sovereign Risk and Secondary Markets,” *American Economic Review*, forthcoming.

Matsuyama, K. (2004): “Financial Market Globalization, Symmetry-Breaking and Endogenous Inequality of Nations,” *Econometrica*.

OR: chapter 6.

Topic 4: Business Cycles

Backus, D., P. Kehoe, and F. Kydland (1992): “International Real Business Cycles,” *Journal of Political Economy*, 101: 745-775.

Ghironi, F. and M.J. Melitz (2005): “International Trade and Macroeconomic Dynamics with Heterogeneous Firms,” *Quarterly Journal of Economics*, Vol. 120, August, pp. 865-915.

Kraay, A. and J. Ventura (2007): “Comparative Advantage and the Cross-section of Business Cycles,” *Journal of the European Economic Association*, December.

OR: chapter 7.

Topic 5: Money and Exchange Rates under Flexible Prices

OR: chapter 8.

Stockman, A. (1987): “The Equilibrium Approach to Exchange Rates,” *Federal Reserve Bank of Richmond Economic Review*, March/April: 12-30.

Topic 6: Sticky-Price Models

Corsetti, G. and P. Pesenti (2001): “Welfare and Macroeconomic Interdependence,” *Quarterly Journal of Economics*, 116: 421-445.

Lane, P. (1999): “The New Open Economy Macroeconomics: A Survey,” *Journal of International Economics*.

OR: chapters 9, 10.

Topic 7: Currency Crises

M. Angeletos, C. Hellwig, and A. Pavan (2007): “Dynamic Global Games of Regime Change: Learning, Multiplicity and Timing of Attacks,” *Econometrica* 75:3, May.

Broner, F. (2008): “Discrete Devaluations and Multiple Equilibria in a First-Generation Model of Currency Crises,” *Journal of Monetary Economics*, 55(3): 592-605.

Chang, R. and A. Velasco (2001): “A Model of Financial Crises in Emerging Markets,” *Quarterly Journal of Economics*, May: 489-517.

Corsetti, G., P. Pesenti, and N. Roubini (1999): “Paper Tigers? A Model of the Asian Crisis,” *European Economic Review*, 43: 1211-1236.

Martin, P. and H. Rey (2006): “Globalization and Emerging Markets: with or without Crash?” *American Economic Review*, Vol. 96, Number 5, pp. 1631-1651.

Morris, S. and H.S. Shin (1998): “Unique Equilibrium in a Model of Self-fulfilling Currency Attacks,” *American Economic Review*, Vol. 88, pp. 587-597. (A correction to Theorem 2 of this paper is provided by Frank Heinemann (2000): “Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks: Comment,” *American Economic Review*.)

OR: chapters 8, 9.