ECO553: INTERNATIONAL MACROECONOMICS AND FINANCE

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Office hours  Fisher 306, by appointment
Lectures  M 4:30-7:30pm in Fisher B06 (status quo time, may be adjusted)

Overview:  This is a second-year Ph.D. course on International Macroeconomics and Finance. The objective of this course is twofold: (1) introduce students to the modern models, tools and methods in International Macroeconomics and (2) discuss the areas of active research in the field and help students navigate among possible topics for dissertation research.

Readings:  Below is an extensive reading list in International Macroeconomics. We will be able to cover only a part of it and you are advised to keep reading on your own should you choose to specialize in International Macro. All readings are based on journal articles. There is no textbook for the course, but you are expected to be comfortable with the basic material in Obstfeld and Rogoff “Foundations of International Macroeconomics” textbook, which can be used for background reading.

Please check for the updates to the reading list during the semester.

Requirements:  There will be three problem sets which in particular would involve numerical solution of models using MATLAB (or other suitable software). You will be also asked to work through a research paper from the reading list and present your findings in class towards the end of the semester. Finally, there will be a take home exam to be turned in by January 10.
Part I

Intertemporal Trade

1 International Real Business Cycles and Puzzles


Additional readings:


2 International Risk-sharing and Portfolio Choice

2.1 International risk-sharing and portfolio home bias


Heathcote and Perri (2009) “International Diversification Puzzle is not as bad as you think,” working paper.


Additional readings:


2.2 Endogenously incomplete financial markets

Chamberlain and Wilson. Chapter 16 of LS

Kocherlakota

Alvarez and Jermann

Atkeson. Chapter 23 of LS

Kehoe and Perri

Additional readings:

Tsyrelnikov

Bai and Zhang

3 Current Account and Inter’l Financial Adjustment

3.1 ‘Old’ and ‘new’ views of Current Account (imbalances)


Additional readings:


3.2 Valuation effects


Additional readings:


4 Sovereign Debt, Default, and Sudden Stops

Eaton and Gershovitz

Bulow and Rogoff

Aguiar and Gopinath

Mendoza and Yue

Amador…

Reinhart and Rogoff
Part II
Exchange Rates and Prices

5 International Relative Prices

5.1 PPP Puzzle


Additional reading:


5.2 Pricing-to-market and exchange rate pass-through


Additional reading:


### 5.3 Currency choice


Additional reading:


5.4 Alternative models of real exchange rate


6 Nominal Exchange Rate

6.1 Nominal exchange rate disconnect


Additional reading:


6.2 Forward premium puzzle


Additional reading:


6.3 Currency unions


Additional reading:
Galí and Monacelli

Chari and Kehoe

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7 Two-country DSGE Models with Nominal Frictions


Additional reading:


Corsetti and Pesenti

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