

International Monetary Economics (Course # 3161)

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Course description: The course relies on a dynamic, general equilibrium framework to study several key issues in the area of international macroeconomics. Among the topics covered are current account, nominal and real exchange rate determination, the operation and properties of alternative exchange rate regimes, currency crises, international portfolios, financial markets and asset prices, optimal monetary policy in open economies, etc.

Evaluation: The grade will be determined by a final exam (90 minutes) consisting of both essay and multiple choice questions.

Suggested book: Obstfeld, M. and K. Rogoff, 1996, "Foundations of International Macroeconomics," MIT Press, (henceforth, FIM)

A useful reading: Obstfeld M. and K. Rogoff, The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?, NBER wp 7777 (also at <http://escholarship.org/uc/item/0sx02651>)

Topics and Reading List

1) The Intertemporal Approach to the Current Account

Obstfeld and Rogoff, 2006, FIM, ch. 1.1-1.3, 2.1-2.3.

2) The Real Exchange Rate and the Terms of Trade

Obstfeld and Rogoff, 2006, FIM, ch. 4.1-4.2.

3) The International Real Business Cycle Model

Backus, D., P. Kehoe and F. Kydland, 1993, International Business Cycles: Theory and Evidence, NBER wp 4493.

4) International Capital Mobility, International Financial Markets and Portfolios

Collard, F, H. Dellas, B. Diba, A. Stockman, 2008, Goods Trade and International Equity Portfolio, <http://harrisdellas.net/research.html>

Obstfeld and Rogoff, 2006, FIM, ch 5.

Obstfeld, M., 1993, International Capital Mobility in the 1990s, NBER wp 4534

Obstfeld, M., 2007, International Risk Sharing and the Costs of Trade,

http://www.econ.berkeley.edu/~obstfeld/Ohlin_show.pdf

Devereux, M. and A. Sutherland, 2006, Solving for Country Portfolios in Open Economy Macro Models, <http://faculty.arts.ubc.ca/mdevereux/methods.pdf>.

5. Theories of exchange rate determination

Obstfeld and Rogoff, 2006, FIM, ch. 9

Benigno G. and P. Benigno, 2008, Exchange Rate Determination under Interest Rate Rules, *Journal of International Money and Finance*, Volume 27, Issue 6, 971-993.

6) Uncovered Interest Parity, Risk and the Exchange Rate

Backus, Gavazzoni, Telmer, Zin, 2010, Monetary Policy and the Uncovered Interest Parity Puzzle, NBER working paper No. 16218.

Benigno G., Benigno P., Nistico, S., 2011, Risk, Monetary Policy and the Exchange Rate, mimeo.

7) Exchange Rate Regimes

Clerc, O., H. Dellas and O. Loisel, 2009, To Be or Not to Be in Monetary Union, <http://harrisdellas.net/research.html>

8) Current Account, Debt Deleveraging and the Exchange Rate.

Obstfeld, M. and K. Rogoff, 2005, The Unsustainable US Current Account Position Revisited, Center for International and Development Economics Research, Institute of Business and Economic Research, UC Berkeley.

Time permitting

9) The Macroeconomics of External Debt

Obstfeld and Rogoff, 2006, FIM, " ch 6

Uribe, M., Lectures in Open Economy Macroeconomics, ch. 8

http://www.columbia.edu/~mu2166/GIM/lecture_notes.pdf

10) Optimal Monetary Policy

Benigno, G. and P. Benigno, 2003, Price Stability in Open Economies, *Review of Economic Studies*, Vol. 70(4) pp. 743-764.

Benigno, G. and P. Benigno, 2000, Designing Targeting Rules for International Monetary Policy Cooperation, *Journal of Monetary Economics*, 53(3): 473-506.

Corsetti, G. and P. Pesenti. 2005, The Simple Geometry of Transmission and Stabilization in Closed and Open Economy, NBER Working Paper No. 11341.

Corsetti, G., L. Dedola and S. Leduc, 2009, Optimal monetary policy in open economies, *Handbook of Monetary Economics* forthcoming, <http://www.eui.eu/Personal/corsetti/>.

Devereux, M. and C. Engel, 2000, "Monetary Policy in the Open Economy Revisited: Price Setting and Exchange Rate Flexibility," *Review of Economic Studies*, Vol. 70(4) pp. 765-784.

CLASS SCHEDULE

Date	Time
Feb. 21	15-17
Feb. 22	9-12
March 1	9-12
March 14	14-17
March 21	11:30-13, 14-17
March 22	8:15-9:45
March 28	11:30-13, 14-17
March 29	8:15-9:45
April 4	14-17
April 5	9-12
April 11	11:30-13, 14-17
April 12	8:15-9:45
April 18	11:30-13, 14-17
April 19	8:15-9:45
May 2	14-17
May 3	9-12
May 10	9-12
June 6	14-15.30 Exam