

**Economics 853**  
**Topics in International Macroeconomics**  
**Spring 2018**

**Note: Please check for announcements or changes made to assignments, due dates, and readings and regularly check your E-mail.**

**OBJECTIVE:** Seminal models and important concepts in this literature are covered and relationships to current research are explored. Students develop an in-depth knowledge on a topic of interest.

**INSTRUCTOR:** Professor Stacie Beck, Purnell 457, Ext. 1915, email: beck@udel.edu.

**OFFICE HOURS:** Tuesday/Thursday 11:00-12:00 or by appointment

**SUGGESTED TEXTS:** Vegh, Carlos *Open Economy Macroeconomics in Developing Countries* MIT ISBN: 9780262018906

**USEFUL TEXTS:** Enders, Walter *Applied Econometric Time Series*, Wiley  
 Hull, John *Options, Futures and Other Derivative Securities*, Prentice-Hall  
 Obstfeld, M. and Rogoff, K. *Foundations of International Macroeconomics*  
 MIT Press 1996  
 Schmitt-Grohe, S. and Uribe, M. *Open Economy Macroeconomics*  
 Princeton Press 2017

**WEBSITE:** Course readings listed in the outline with an asterisk (\*) or added during the course are posted on the Sakai course website. Course notes and the syllabus are also posted.

**DATA SOURCES:** The college subscribes to Bloomberg data in the Lerner Trading Center on the first floor of Purnell Hall. This service includes data from the IMF's *International Financial Statistics*. Through Morris Library (via Delcat) there is access to the OECD oecd.stat database.

**PRE-REQUISITES:** Econ 812 and Econ 823 or equivalent and knowledge of econometrics.

**COURSE OUTLINE**

- I. Financial Concepts in Foreign Exchange Markets
  - A. Interest Parity
  - B. Market Efficiency
  - C. Derivative Securities Pricing

*Readings:* Shimko Ch 1-3 course website

- D. Purchasing Power Parity  
**Readings:** N. Mark course website
- E. Monetary Models

## II. Dynamic General Equilibrium Open Economy Model

- A. International Factor Flows  
 Capital and Labor Flows: Theory and Policy  
**Readings:** Vegh, Ch 1; Rogoff/Obstfeld Ch. 1, 2, 3.1-3.4  
 Schmitt-Grohe/Uribe text Ch 2, 3, 4  
 \*Feldstein and Horioka, “Domestic Savings and International  
 Capital Flows” *The Economic Journal* (1980) 314-29.  
 \*Schmitt-Grohe and Uribe, “Closing Small Open Economy  
 Models” *Journal of International Economics* (2003) 163-185.
- B. Fiscal Policy in Open Economies  
**Reading:** TBA
- C. International Risk Sharing  
**Reading:** Vegh Ch 2; Obstfeld/Rogoff Ch 5; Schmitt-Grohe/Uribe Ch 4.9
- D. Nontraded Goods and Relative Prices  
**Reading:** Vegh Ch 4 Schmitt-Grohe/Uribe Ch 7, 8

## III. Sticky Price Models and Exchange Rate Regimes

- A. New Keynesian Open Economy Models  
**Readings:** Vegh, “Sticky Prices” Ch. 8
- B. Monetary Policy in a New Keynesian Open Economy Model  
**Readings:** Vegh, “Sticky Prices” Ch. 9, 10
- C. Variations on Open Economy Models  
**Readings:** Monacelli (website) Schmitt-Grohe/Uribe Ch 9
- D. Optimal Exchange Rate Regimes  
**Readings:** Vegh Ch 11

## IV. Applications (possible topics)

Financial Frictions  
 Debt Default and Debt Sustainability  
 Capital Controls, Financial Regulation

### REQUIRED ASSIGNMENTS:

2 Paper/Presentations (30 points/ea)	as announced	60 points
First Exam	mid March	30 points
Second Exam	mid April	30 points
Final Exam	Final Exam Week	<u>30 points</u>
		150 points total

**PAPERS:** These will be assigned during the course. Papers should be professionally written, i.e., typewritten, double-spaced and free of grammar and spelling errors. Papers received after due dates are subject to a penalty. Late penalty is computed as  $2^{x-1}$  points where x = number of weekdays late.

**EXAMS:** Absences from exams will not be made up. Study questions will be handed out prior to exams. The final exam is scheduled by the university and will be during final exam week.

**POLICY ON ACADEMIC DISHONESTY:** The faculty of the Department of Economics is strongly committed to upholding the University policy on academic dishonesty. You are responsible for knowing and abiding by this policy. Details of the policy are stated in the University of Delaware Official Student Handbook in the Code of Conduct, Section I, Academic Dishonesty. It can be found online. It will apply to every quiz, examination, assignment, and paper in the course. Violations will not be tolerated.

**NOTE:** The instructor reserves the right to make adjustments to the course, including adjustments to assignments, based on teaching needs and course enrollment.