

Preliminary Syllabus

Lecturer: Paolo Pesenti, Federal Reserve Bank of New York, NBER and CEPR

This six-week course provides an introduction to recent research threads in international macroeconomics, with particular attention to issues in monetary and exchange rate policy. The bulk of the course focuses on historical workhorse models in international finance, moving from the Mundell-Fleming-Dornbusch tradition to more recent approaches often referred to as the "New" Open-Economy Macroeconomics. Models of this kind aim at providing an optimizing intertemporal framework capable of addressing basic policy questions involving the international transmission of policy and structural shocks. Among the issues considered here: optimal monetary policies in open economies, exchange rate regimes, the gains from international coordination, costs and benefits of globalization, currency crises. A number of case studies will be discussed (e.g. Bretton Woods, the European Monetary System, the Asian crisis and global contagion). The course will open and close with a discussion of global imbalances and current account adjustment in the world economy.

The course is open to all students with a strong background in macroeconomics. No previous knowledge of international macroeconomics is required, although familiarity with a good intermediate-level textbook such as P. Krugman and M. Obstfeld, *International Economics* or similar is strongly recommended. For a more advanced overview of some of the topics covered in the course, a useful reference textbook is M. Obstfeld and K. Rogoff (1996), *Foundations of International Macroeconomics*, Cambridge, MA: MIT Press.

A reading list for the course will be handed out at the beginning of the course. There will be no textbook and all required readings will be available online. Lecture notes will be made available to students as PDF files.

Schedule

Unless otherwise stated, the class will meet in Robertson Hall, room 015, on the following dates:

Wednesday	November 8	7-10pm
"	November 15	"
"	November 22	"
"	November 29	"
"	December 6	"
"	December 13	"

Outline (Preliminary)

An introduction to international macroeconomics. The world economic outlook in 2006 Q4. Consumption choice, net borrowing and current account sustainability. A first look at the debate on global imbalances.

Building blocks of an open-economy model for policy evaluation. From Hume to Mundell-Fleming. Transmission and stabilization in the Mundell-Fleming tradition. Exchange rate regimes and optimum currency areas. Case study: from the demise of Bretton Woods to the crisis of the European Monetary System

The New Open-Economy Macroeconomics. Transmission and stabilization in the NOEM: a graphical introduction. Nominal rigidities and pass-through in open economy. Optimal monetary policy and international coordination. Case study: Globalization, inflation targeting and monetary policy

Exchange rate fluctuations and currency crises. Interest parity conditions and exchange rate expectations. Fundamentals, overshooting and bubbles. Modeling speculative attacks and self-fulfilling shifts in expectations. Case study: the Asian crisis and global contagion in the second half of the 1990s.

Productivity, trade and asset markets. Terms of trade and real exchange rates under complete and incomplete markets. Purchasing power parity and the Balassa-Samuelson effect. Free entry and endogenous varieties: revisiting the international transmission mechanism.

Global adjustment: soft landing or crash? A freewheeling discussion of current policy issues in light of what we have learned.

Exam

There will be a take-home exam. Details will be discussed later.