

York University
Department of Economics
GS/ECON 5510 3.0: International Monetary Economics
Winter 2024

Course instructor: Wai-Ming Ho

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Times and locations: Friday, 11:30am-2:30pm, CLH 110

Note: the make-up date for the class on March 29, 2024 will be Monday, April 8, 2024.

Course webpage: <https://eclass.yorku.ca/>

Office hours: Friday, 9:15am-10:45am

Course Objective:

This course studies issues in international finance and open-economy macroeconomics. Topics covered include: the intertemporal approach to the current account, international risk sharing and asset trade, exchange rate determination, and macroeconomic policy in open economies.

Textbook:

- Obstfeld, M. and K. Rogoff, *Foundations of International Macroeconomics*, MIT press, 1996. (SCOTT-RESV HF 1359 O27 1996) [e-copy via York University's Library](#)
- Végh, C.A., *Open Economy Macroeconomics in Developing Countries*, MIT Press, 2013. (SCOTT-RESV HJ 1620 V44 2013)
- Uribe, M. and S. Schmitt-Grohé, *Open Economy Macroeconomics*, Princeton University Press, 2017. (SCOTT-RESV HB 172.5 U75, 2017)

These books are available on reserve at the Scott Library. All the other reading materials included in this course outline can be downloaded via the links listed on our course website.

Course Outline:

I. Intertemporal Trade and Current Account Balance

Obstfeld and Rogoff, Chapters 1, 2, and 3.

Végh, Chapter 1.

Uribe and Schmitt-Grohé, Chapters 2 and 3.

Engel, C. and J.H. Rogers, 2006, "The U.S. Current Account Deficit and the Expected Share of World Output," *Journal of Monetary Economics*, Vol.53, No.5, p.1063-1093.

Obstfeld, M., 2012, "Does the Current Account Still Matter?" *American Economic Review: Papers & Proceedings*, Vol.102, No. 3, p.1-23.

II. Capital Market Imperfections: Sovereign Debt, Default, and Sudden Stops

Végh, Chapters 2 and 14.

Uribe and Schmitt-Grohé, Chapters 12 and 13.

Obstfeld and Rogoff, Chapter 6.

Bai, Y. and J. Zhang, 2010, "Can Financial Frictions Account for the Cross Section Feldstein-Horioka Puzzle?" *Econometrica*. Vol 78(2) p.603-632.

Mendoza, E.G.. 2010. "Sudden Stops, Financial Crises, and Leverage." *American Economic Review*, 100(5): 1941-66.

Lane, P.R., 2012. "The European Sovereign Debt Crisis." *Journal of Economic Perspectives*, 26(3): p.49-68.

Fernández-Villaverde, J., L. Garicano, and T. Santos. 2013. "Political Credit Cycles: The Case of the Eurozone." *Journal of Economic Perspectives*, 27(3): 145-66.

Aguiar, M. and M. Amador, 2013, "Sovereign Debt: A Review," *NBER Working Paper* No. 19388.

III. Monetary Policy and Nominal Exchange Rates

Obstfeld and Rogoff, Chapters 8 to 10.

Végh, Chapters 5, 7, and 11.

Lane, P. R., 2001, "The New Open Economy Macroeconomics: A Survey," *Journal of International Economics*, Vol. 54, No.2, p.235-66.

Corsetti, G. and P. Pesenti, 2005. "International Dimensions of Optimal Monetary Policy," *Journal of Monetary Economics*, Vol. 52, No.2, p. 281-305.

Engel, C., 2014, "Exchange Rate Stabilization and Welfare," *Annual Review of Economics*, Vol. 6, p.155-177.

Schmitt-Grohe, S. and Uribe, M. 2016, "Downward Nominal Wage Rigidity, Currency Pegs, and Involuntary Unemployment," *Journal of Political Economy*, Vol. 124, p.1466-1514.

Obstfeld, M. and K. Rogoff, 2021, "Revisiting Speculative Hyperinflations in Monetary Models" *Review of Economic Dynamics*, Vol.40, p.1-11.

IV. Uncertainty and International Risk Sharing

Obstfeld and Rogoff, Chapter 5.

Cole, H.L. and M. Obstfeld, 1991, "Commodity Trade and International Risk Sharing: How Much Do Financial Markets Matter?" *Journal of Monetary Economics*, Vol. 28, No.1, p.3-24.

Cole, H.L., 1993, "The Macroeconomic Effects of World Trade in Financial Assets," *Federal Reserve Bank of Minneapolis Quarterly Review*, No.3, p.12-21.

van Wincoop, E., 1999, "How Big Are Potential Welfare Gains from International Risksharing?" *Journal of International Economics*, Vol.47, No.1, p.109-135.

Obstfeld, M., and K. Rogoff, 2000, "The Six Major Puzzles in International Macroeconomics," *NBER Macroeconomics Annual*, Vol.15, p.339-390.

Heathcote, J. and F. Perri, 2002, "Financial Autarky and International Business Cycles," *Journal of Monetary Economics*, Vol.49, No.3, p.601-627.

Miranda-Agrippino, S. and H. Rey, 2021, "The Global Financial Cycle," *NBER Working Paper* 29327.

Evaluation:

- Mid-term Exam: 30%, held during class time, **11:30-13:30, February 16, 2024, Friday.**
- Final Exam: 70 %, held during the final exam period.

Let M = your mark from the mid-term exam and F = your mark from the final exam.

Your grade will be determined by the following formula: **Total mark = Max (0.3 M + 0.7 F, F).**

- There will be no make-up midterm exam. Students absent from the midterm exam will have the weight transferred to their final exam.
- The final exam will cover all materials discussed in this course. The schedule will be announced by the Graduate Program Office later.
- There will be exercises posted on our course website regularly. Working on these exercises will be important in your preparation for exams.
- Final course grades may be adjusted to conform to Program or Faculty grades distribution profiles.

IMPORTANT COURSE INFORMATION FOR STUDENTS

All students are expected to familiarize themselves with the following information, available on the Senate Committee on Curriculum & Academic Standards webpage;

- [York's Academic Honesty Policy and Procedures](#)
- [Student Accessibility Services](#)
- [Religious Observance Accommodation](#)
- [Student Code of Conduct](#)