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## Open-Economy Macroeconomics: Kiel Advanced Studies Program, August 2004

This is a graduate-level course in international macroeconomics. The textbook for the course is Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics*, MIT Press, 1996 (Henceforth OR). Nelson Mark, *International Macroeconomics and Finance: Theory and Econometric Methods*, Blackwell, 2001 is also worth purchasing. Good websites include: [www.internationaleconomics.net](http://www.internationaleconomics.net); [www.imf.org](http://www.imf.org); [www.nber.org](http://www.nber.org); [econ.worldbank.org](http://econ.worldbank.org); [www.stern.nyu.edu/globalmacro/](http://www.stern.nyu.edu/globalmacro/).

### **1 Building Blocks of Open-Economy Macroeconomics: Exchange Rates, Current Accounts, International Asset Trade**

OR, Chapters 1, 2, 4, 5.

Mark, Chapters 6,7.

Maurice Obstfeld and K. Rogoff, *The Intertemporal Approach to the Current Account*, in G. Grossman and K. Rogoff (eds.), *Handbook of International Economics*, vol . III, North-Holland, 1995.

Robert E. Lucas, “Why Doesn’t Capital Flow from Rich to Poor Countries?,” *American Economic Review* 80, 92-96 , May 1990.

Philip R. Lane and Gian-Maria Milesi-Ferretti (2001), “The External Wealth of Nations,” *Journal of International Economics*, December 2001.

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Kenneth Froot and Kenneth Rogoff, “Perspectives on PPP and Long-Run Real Exchange Rates,” in G. Grossman and K. Rogoff (eds.), Handbook of International Economics, vol . III, North-Holland, 1995.

Charles Engel, “Accounting for U.S. Real Exchange Rate Changes,” Journal of Political Economy, June 1999.

Kenneth Rogoff (2001), “The Failure of Empirical Exchange Rate Models: No Longer New but Still True,” Economic Policy Web Essay, October 2001, Issue 1, volume 1.

## **2 Open-Economy Macroeconomic Models**

OR, Chapters 7, 9, 10.

Mark, Chapters 5, 8, 9.

Maurice Obstfeld (2001), “International Macroeconomics: Beyond the Mundell-Fleming Model,” International Monetary Fund Staff Papers 48, Special Issue 2001.

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Charles Engel (2003), “Expenditure Switching and Exchange Rate Policy,” NBER Macroeconomics Annual 17, 231-272.

## **3 Policy Application I: Exchange Rate Regimes**

OR, Chapter 9.

M. Obstfeld and K. Rogoff, The Mirage of Fixed Exchange Rates, Journal of Economic Perspectives, 1995.

Maurice Obstfeld, Alan M. Taylor and Jay C. Shambaugh (2004), "The Trilemma in History: Tradeoffs among Exchange Rates, Monetary Policies, and Capital Mobility," mimeo, UC-Berkeley.

M. Mussa, Exchange Rates in Theory and in Reality, Princeton Essays in International Finance, no. 179, December 1990.

Jeffrey Frankel, "No Single Currency Regime is Right for All Countries or at All Times," Graham Lecture, Princeton University, April 20, 1999. NBER Working Paper No. 7338. Available at <http://papers.nber.org/papers/7338>

Jeffrey Frankel and Andrew Rose, Empirical Research on Nominal Exchange Rates, in G. Grossman and K. Rogoff (eds.), Handbook of International Economics, vol . III, North-Holland, 1995.

Reinhart, Carmen M. and Kenneth S. Rogoff (2002), "The Modern History of Exchange Rate Arrangements: A Reinterpretation," NBER Working Paper No. 8963.

Rogoff, Kenneth S., Aasim M. Husain, Ashoka Mody, Robin Brooks and Nienka Oomes (2003), "Evolution and Performance of Exchange Rate Regimes," IMF Working Paper No. WP/03/243.

## **4 Policy Application II: Globalization in Trade and Finance**

Kenneth Rogoff (2003), "Globalization and Global Disinflation," mimeo, Harvard University.

Kenneth Rogoff, Eswar Prasad, Shang-Jin Wei and Ayhan Kose (2003), The Effects of Financial Globalization on Developing Countries: Some Empirical Evidence, International Monetary Fund Occasional Paper 220, September 2003.

Kenneth French and James Poterba (1991), “Investor Diversification and International Equity Markets,” *American Economic Review* 81, 222-226 , May 1991.

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Philip R. Lane (2003), “The Macroeconomics of International Financial Trade,” *IIS Discussion Paper No. 13*.

## **5 Policy Application III: Global Imbalances**

Maurice Obstfeld and Kenneth Rogoff (2001), “Perspectives on OECD Capital Market Integration: Implications for U.S. Current Account Adjustment,” in *Federal Reserve Bank of Kansas City Global Economic Integration: Opportunities and Challenges*.

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## **6 Policy Application IV: Policy Coordination and the International Monetary System**

OR, Chapter 9.

Kenneth Rogoff (2001), “Why Not a Global Currency,” *American Economic Review* 91, 243-247, May 2001.

Paul Bergin (2002), “Is There a Role for International Policy Coordination?,” *Federal Reserve Bank of San Francisco Economic Letter*.

Barry Eichengreen (2004), “Managing the World Economy in the 1990s,” mimeo, UC-Berkeley.