Macroeconomics in Open Economies:
Course Outline Kiel 2008
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The readings below are intended to give a representative flavor of the field, and hence have a certain bias towards integrative survey pieces. The references in the surveys are excellent starting points for a more in-depth perusal.

Up to Date Backgrounds

Latest issue of the **World Economic Outlook** (WEO) published by the IMF
Latest issue of **Global Development Finance** (GDF) published by the World Bank

Part I: Preliminaries: Concepts, History, And Institutions (Monday, Tuesday)

Barry Eichengreen and Nathan Sussman, "The International Monetary System in the (Very) Long Run, IMF Working Paper No. 00/43. Also: www.imf.org/external/pubs/ft/wp/2000/wp0043.pdf

Lane, Phillip and Gian Maria Milesi-Ferretti, 2005, A Global Perspective on External Positions, NBER Working Paper No. 11589.

Part II: The Current Account (Tuesday, Wednesday, Thursday)

The determinants and dynamics of external balances is a core concern of international macroeconomics. We will look at the current account from a number of angles, consider the link between exchange rates and the current account and conclude by exploring the evidence, with a specific focus on external adjustment.

1. Models

2. Evidence

Edwards, Sebastian, 2001, Does the Current Account Matter?, NBER Working Paper No. 8275, Cambridge, MA.

Chinn, Menzie and Eswar Prasad, (2000), Medium-Term Determinants of Current Accounts; NBER Working Paper No. 2000.

3. Current Issues: Adjustment

Balakrishnan, Ravi, Tamim Bayoumi and Volodymyr Tulin, 2007, Globalization, Gluts, Innovation or Irrationality: What Explains the Easy Financing of the U.S. Current Account Deficit?, IMF Working Paper no. 07/160.

Edwards, Sebastian, 2007, On Current Account Surpluses and the Correction of Global Imbalances, NBER Working Paper no. 12904.

Obstfeld, Maurice, 2004, External Adjustment, Harms Lecture 2004, NBER Working Paper No. 10843.

Obstfeld, Maurice, 2002, Exchange Rates and Adjustment: Perspectives from the New Open Economy Macroeconomics, NBER Working Paper No. 9118.

Part III Exchange Rate Determination and Pricing (Thursday, Friday, Monday)

The determination of nominal and real exchange rates, and the linked issue of pricing in open economies provide the second mainstay of international macroeconomics. Thinking about exchange rates and pricing has evolved considerably over the last two decades, we will briefly touch on all the major schools of thought.

1. Models and Approaches I: Nominal

Cheung, Yin-Wong, Menzie Chinn and Antonio Garcia Pascual, 2002, "Empirical Exchange Rate Models of the Nineties: Are Any Fit to Survive?"; NBER Working Paper No. 9393, December 2003.

Rogoff, Kenneth 2002, Dornbusch's Overshooting Model after Twenty-Five Years, IMF Working Paper No. 02/39.

Evans, Martin and Richard K. Lyons, 2005, Meese-Rogoff redux: micro-based exchange rate forecasting, NBER Working Paper No.11042:1-23, January 2005.

Dominguez, Kathryn 2003, When do Central Bank Interventions Influence Intra-Daily and Longer-Term Exchange Rate Movements?, NBER Working Papers No. 9875,

2. Models and Approaches II: Real

Taylor, Alan and Mark Taylor, 2004, The Purchasing Power Parity Debate, NBER Working Paper No. 10607.

Chinn, Menzie, 2005, A Primer on Real Effective Exchange Rates, NBER Working Paper No. 11521.

3. Pricing Rules

Campa, Jose and Linda Goldberg, 2006, Pass Through of Exchange Rates to Consumption prices, NBER Working Paper No. 12547.

Goldberg, Pinelopi and Rebecca Hellerstein, 2007, A Framework for Identifying the Sources of Local Currency Price Stability With An Empirical Application, NBER Working Paper No. 13813.

Gopinath, Gita and Roberto Rigobon, 2006, Sticky Borders, NBER Working Paper No. 12905.

Part IV Exchange Rate Regimes (Monday, Tuesday, Wednesday)

The role of the nominal exchange rate regime is a third perennial topic in international macroeconomics. Two key questions are examined in this literature. First, does the choice of the nominal regime make a difference in terms of real variables, and hence welfare? Second, (why) are pegged regimes so hard to sustain? We will look at both issues.

1. Properties and Tradeoffs

Fischer, Stanley (2001); "Exchange Rate Regimes"; Is the Bipolar View Correct?"

Frankel, Jeffrey, 1999, No Single Currency Regime is Right for all Countries or at all Times; Essays in International Finance Number 215, Princeton University

Calvo, Guillermo and Carmen Reinhart, "Fear of Floating", Quarterly Journal of Economics, 117: 2: May: 2002: pp 379-408.

2. Individual Regimes

Anne-Marie Gulde, Atish Ghosh and Holger Wolf (2000); "Currency Boards: More Than a Quick Fix"; Economic Policy, October 2000, 271-335.

Sebastian Edwards and Igal Magendzo, 2003, A Currency of One's Own?, NBER Working Paper No. 9514.

Alberto Alesina, Robert Barro and Silvana Tenreyro, 2002, "Optimal Currency Areas", NBER Working Paper No. 9072, July 2002.

Reinhart, Carmen, Kenneth Rogoff and Miquel Savastano, 2003, Addicted to Dollars, NBER Working Paper No. 10015.

3. Crisis and Speculative Attacks

Graciela Kaminsky, 2003, Varieties of Currency Crisis, NBER Working Paper No. 10193.

4. Currency Competition

Chinn, Menzie and Jeffrey Frankel, 2005, Will the Euro Eventually Surpass The Dollar as Leading International Reserve Currency?, NBER Working Paper No. 11510.

Eichengreen, Barry, 2005, Sterling's Past, Dollar's Future, NBER Working Paper No. 11336.

Part V: Financial Integration (Wednesday, Thursday, Friday)

Financial integration promises sizable benefits but also carries significant risks. The state of integration, the effect of financial integration on growth and volatility and the dependence of these effects on country characteristics are active areas of research.

1. International Financial Integration: State and Effects

Mishkin, Frederic, 2005, Is Financial Globalization Beneficial?, NBER Working paper No. 11891.

Rajan, Raghuram, 2007, Has Financial Development Made the World Riskier?, NBER Working No. 11728.

Maurice Obstfeld and Alan Taylor, 2003, Globalization and Capital Markets, NBER Working Paper No. 8846.

2. The Macro Perspective: Growth

Eswar Prasad, Raghuram Rajan and Arvind Subramanian, 2007, Foreign Capital and Economic Growth, NBER Working Paper No. 13619.

Hali Edison, Michael Klein, Luca Ricci and Torsten Sloek, 2002, "Capital Account Liberalization and Economic Performance: Survey and Synthesis", NBER Working Paper No. 9100, August 2002

3. Risks: Sudden Stops, Financial Crisis and Contagion

Kaminsky, Graciela, Carmen Reinhart and Carlos Vegh, 2003, The Unholy Trinity of Financial Contagion, NBER Working Paper No. 10061.

Calvo, Guillermo, 2007, Crises in Emerging Market Economies: A Global Perspective, NBER Working Paper No. 11305.

4. Special Issues: International Debt

Reinhart, Carmen, Kenneth Rogoff and Miguel Savastano, Debt Intolerance, Brookings Papers on Economic Activity, 1:2003, pages 1-74.

Dooley, Michael, Peter Garber and David Folkerts-Landau, 2007, The Two Crises of International Economics, NBER Working Paper No. 13197.

5. Special Issues: Sovereign Wealth Funds

Part VI Policies and Issues (Friday)

We conclude by looking at a number of policy responses to financial integration.

1. Reserves

Aizenman, Joshua, 2007, Large Hoarding of International Reserves and the Emerging Global Economic Architecture, NBER Working Paper No. 13277.

Reinhart, Carmen and Vincent Reinhart, 2008, Capital Inflows and Reserve Accumulation: The Recent Evidence, NBER Working Paper No. 13842.

Rodrik, Dani, 2006, The Social Costs of Foreign Exchange Reserves, NBER Working Paper No. 11952.

2. Capital Controls

Magud, Nicolas and Carmen Reinhart, 2006, Capital Controls: An Evaluation, NBER Working Paper No. 11973.

Kristin Forbes, 2004, The Microeconomic Evidence on Capital Controls, NBER Working Paper No. 11372.

3. Single Currency

Benjamin Cohen, 2000, Life at the Top, Essays in International Economics No. 221, Princeton University.

Enrique Mendoza, 2002, Why Should Emerging Economies Give Up National Currencies, NBER Working Paper No. 8950.