Applied International Macroeconomics

Syllabus

Spring 2024

Course Information

- Code: CUL 1412 501
- NRC: 15360
- Credits: 6
- Department: Economics
- Instructor: Gabriel Marin
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- Office Hours: By appointment

Course Description

This course focuses on the theory of international financial and trade issues, particularly in developing economies. Topics include exchange rates, capital flows, trade policies, and macroeconomic policy in an open economy.

Learning Objectives

- 1. Understand the functioning of the real exchange rate, the trade balance, and international markets.
- 2. Analyze trade openness and the implications in economic crises like sudden stop episodes.
- 3. Learn the role of fiscal policy in open economy contexts.
- 4. Interpret the optimal fiscal policy in an open economy.

Textbook and Resources

- Végh, C. A. (2013). Open economy macroeconomics in developing countries. MIT press.
- There are readings that accompany each theoretical model.

Course Schedule

Lecture 1: A Basic Model of a Small Open Economy

• Readings: Végh (2013) - Chapter 1. Tornell, A., & Lane, P. R. (1998). Are windfalls a curse?: A non-representative agent model of the current account. Journal of International Economics, 44(1), 83-112.

Lecture 2: Introducing Investment to the Basic Model

Readings: Végh (2013) - Chapter 1. Baxter, M., & Crucini, M. J. (1993). Explaining saving-investment correlations. The American Economic Review, 416-436. Coughlin, C., & Pollard, P. S. (2001). What drives large current account deficits?. International Economic Trends, (May).

Lecture 3: Financial Autarky

• Readings: Végh (2013) - Chapter 2. Paxson, C. H. (1993). Consumption and income seasonality in Thailand. Journal of political Economy, 101(1), 39-72.

Lecture 4: The Balance of Payments in Practice

Midterm will cover all topics until here

Lecture 5: Uncertainty in the Basic Model

• Readings: Végh (2013) - Chapter 2. Gertler, P., & Gruber, J. (2002). Insuring consumption against illness. American economic review, 92(1), 51-70.

Lecture 6: Overborrowing and the Tobin Tax

• Readings: Végh (2013) - Chapter 3. Reinhart, C., & Vegh, C. (1999). Do Exchange Rate-Based Stabilizations Carry the Seeds of Their Own Destruction?.

Lecture 7: Non-tradable Goods Model

• Readings: Végh (2013) - Chapter 4.

Lecture 8: Two-Good Two-Sector Model and Relative Prices

• Readings: Végh (2013) - Chapter 4. Calvo, G. A. (1998). Capital flows and capital-market crises: the simple economics of sudden stops. Journal of applied Economics, 1(1), 35-54. Calvo, G. A., Izquierdo, A., & Talvi, E. (2006). Sudden stops and phoenix miracles in emerging markets. American Economic Review, 96(2), 405-410. Calvo, G. A. (1987). On the costs of temporary policy. Journal of development economics, 27(1-2), 245-261.

Lecture 9: Determinants of Sudden Stops

• Readings: Calvo, G. A., Izquierdo, A., & Mejía, L. F. (2008). Systemic sudden stops: the relevance of balance-sheet effects and financial integration (No. w14026). National Bureau of Economic Research.

Lecture 10: Optimal Reserves

• Readings: Calvo, G. A., Izquierdo, A., & Loo-Kung, R. (2012). Optimal holdings of international reserves: self-insurance against sudden stop (No. w18219). National Bureau of Economic Research.

Lecture 11: Fiscal Policy

• Readings: Végh (2013) - Chapter 10. Bartolini, L., & Lahiri, A. (2006). Twin deficits, twenty years later. Barro, R. J. (1981). Output effects of government purchases. Journal of political Economy, 89(6), 1086-1121.

Lecture 12: Optimal Fiscal Policy

• Readings: Végh (2013) - Chapter 10. Barro, R. J. (1979). On the determination of the public debt. Journal of political Economy, 87(5, Part 1), 940-971.

Time permitting

Lecture 13: The Basic Model with Money

• Readings: Végh (2013) - Chapter 5.

Assignments and Grading

- Midterm Exam: 25%
- Final Exam: 40%
- Problem Sets: 30%
- Class Attendance: 5%

Academic Integrity

All students are expected to adhere to the university's academic integrity policy.

Disability Accommodations

Students with disabilities should contact the Disability Services Office.