260B: International Macroeconomics

Professor Paul R. Bergin  

class meeting:  M, W 10-11:20AM, SSH 1113  
office hours: M 3:20-4:20PM, F 10:30-11:30AM or by appointment, 1141 SSH

The objective of this course is to familiarize advanced Ph.D. students with theories of international macroeconomics and related research questions. The course will focus on determination of the current account and exchange rate, business cycle comovement, and monetary policy.

Students will be graded upon the following basis:
1) 3-4 homework assignments. (20% of total grade)
2) class discussions (5%). (See the topics marked with # below.)
2) One 20-30 minute class presentations of a paper from the reading list. (15%) Please provide a handout of your slides for the other students in the class to study from. The papers available for student presentation are marked with ♦ in the lists below.
3) Comprehensive final exam, December 14, 3:30-5:30 PM (subject to change) (45% or 60%, see below)
4) Optional: A brief literature review of a topic in international macroeconomics, due in class November 30. (15%) Five pages double-spaced. Should include papers beyond what is on the course reading list. The paper should conclude by identifying an unresolved research question. This assignment is intended for students who are considering doing dissertations in either international or macroeconomics fields, and it is an opportunity to explore possible topics, and get faculty feedback. Students not considering research in these fields can opt out of this assignment, and the 15% will be allocated to the final exam.

Links to PDF journal articles and lecture slides are on the class website: http://faculty.econ.ucdavis.edu/faculty/bergin/ECON260D/index.html

* required reading  # topic for class discussion  ♦ available for student presentation


**Topic 1: Global Financial Imbalances and Intertemporal Models of the Current Account**

Do current account imbalances serve a useful role in facilitating macroeconomic adjustment? Develop an intertemporal optimization-based theory of the current account. Evaluate theory empirically, and apply it to recent experiences in Europe, China and US.


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**Topic 2: International Co-movement in Business Cycles**

To what degree do recessions of countries move together? Discuss other empirical regularities in their national business cycles, and how well simple business cycle models can explain them.


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**Topic 3: International Risk Sharing and Portfolio Diversification**

Consider recent evidence on the degree of integration and diversification in equity markets. Establish the gains from international risk sharing. Compare theories for a lack of full diversification.


**Topic 4: What Determines Exchange Rates?**
Summarize empirical tests of real exchange rate behavior. Consider theories for why real and nominal exchange rates move.


Engel, Charles, Kenneth West, and Nelson C. Mark, 2008, "Exchange Rate Models Are Not as Bad as You Think," NBER Macroeconomics Annual (draft posted)


**Topic 5: Monetary Policy in the Open Economy**
Study models of monetary policy based on sticky prices.


**Topic 6: Financial Integration and Interest Rate Parity**
Tests of uncovered interest rate parity and their implications.


**Topic 7: Optimal Monetary Policy and International Coordination**

What types of monetary policy rules promote welfare within an open economy? Compare fixed and flexible exchange rate regimes, and coordinated versus noncoordinated policies.


**Topic 8: Financial Frictions and Shocks**

Study how exchange rate fluctuations imply international wealth reallocation, and how this affects international monetary policy transmission.


Gourinchas, P.O. and Helene Rey, 2014. External adjustment, global imbalances and valuation effects in Handbook of International Economics volume 4

