Outline and Objective of the Course
The course begins with a workhorse representative-agent RBC framework with stochastic, non-insurable shocks to study international business cycles. The course explores then how this framework can be modified and enriched to study financial crises, sovereign default, and sudden reversals of capital inflows driven by capital market imperfections. We also study open-economy DSGE models with heterogeneous agents and firms. The course finally discusses the industrial structure and growth for open economies.

Grading
The course is graded with problem sets (40%), a classroom presentation (20%), and final examination (40%).

Problem sets: There will be four problem sets. Students can work cooperatively but need to finish the problem sets individually. You will have between 7 to 14 days to work on these problem sets, depending on their difficulty. The details will be set in the first lecture of the semester. In addition to turning in a nicely-formatted description of your findings with all the necessary tables and figures (preparing documents that are neat and easy to read is a necessary condition to being a good researcher), you will need to upload all materials to the blackboard. The suggested solutions will be discussed in class.

Presentation: The classroom presentation should be based on a paper from the reading list for this class. Each student has 45 minutes to present a paper of your own choice. Prepare to discuss the paper for 30 minutes and have 15 minutes for handling questions.

Final Exam: The final exam will be on Dec 10.

Textbooks and Other Reading Materials
The course is based largely on journal articles and working papers. The reading list is intentionally comprehensive with the aim of providing suggestions for further reading (required readings are identified explicitly).
Reference Texts:


Reinhart, Carmen M. & Kenneth Rogoff, This Time is Different: Eight Centuries of Financial Folly, Princeton Univ. Press.


Carlos A. Végh Open Economy Macroeconomics in Developing Countries, MIT Press, forthcoming.


Mendoza, Enrique G. and Vincenzo Quadrini, “Notes on Open-Economy Macroeconomics with Incomplete Markets and Heterogeneous Agents”
**Topics:**

1. Business Cycles Models for Small Open Economies
   * Lecture notes written by Schmitt-Grohe and Martin Uribe
   * Obstfeld and Rogoff, Chapter 1-3.

2. International Real Business Cycles
   Obstfeld and Rogoff, Chapter 4.

3. Incomplete Markets
4. Sovereign Debt and Default


5. Financial Crises and Sudden Stops


6. Global Imbalances, Financial Development & Heterogeneous Agents


Devereux, M. and A. Sutherland, “Solving for Country Portfolios in Open Economy Macro Models,” mimeo, Dept. of Economics, Univ. of British Columbia


Jeanne, Olivier, “Macroprudential Policies in a Global Perspective”

7. International Business Cycles and Heterogeneous Firms

* Alessandria, George, Sangeeta Pratap, Vivian Yue, 2013, “Export Dynamics in Large Devaluations” Working paper.


Atkeson, Andrew, and Ariel Burstein, 2009 “Innovation, firm dynamics, and international trade”, mimeo UCLA.


8. Industrial Structure, Growth, and International Capital Flows


