ECONOMICS 280B (FALL 2009): PIERRE-OLIVIER GOURINCHAS.
This sequence develops core models of international finance and open-economy macroeconomics, and surveys selected current research topics in the field. Topics treated in the first semester include: international risk sharing and capital flows; the intertemporal approach to the current account; home equity and consumption bias; the determination of real exchange rates and purchasing power parity; Empirical models of nominal exchange rates; Sovereign debt crises.

ECONOMICS 280C (SPRING 2010): MAURY OBSTFELD
This course covers advanced topics in open-economy monetary economics and in international finance. Topics treated include: money and exchange rate regimes; changes of regimes; sticky prices and stabilization policies; optimal policies, accommodation and credibility; economics of currency areas; the new open economy macroeconomics.
COURSE SCHEDULE
Classes will be held every Wednesday from 10 to 12. Room: Evans 608-7

GRADING POLICY

PROBLEM SETS (30% OF GRADE).
REFEREE REPORTS (30% OF GRADE).
Class participants must write two referee reports on papers from the syllabus. You should refrain from picking on papers that are covered in detail in class. If you prefer to select a paper outside the reading list, you need to check with me first. Each report should be approximately 4-5 pages (double spaced). The first half of your report should summarize the main arguments of the paper in the context of the existing literature, highlight its contribution and outline any strengths or weaknesses. The second half of your report should describe how the authors should address the weaknesses (if possible) and make recommendations for change and improvements.

FINAL (40% OF GRADE).

COURSE MATERIAL


I will also make use of Recursive Macroeconomic Theory, 2nd ed., by Tom Sargent and Lars Ljungqvist, MIT Press 2004.

Finally, I may distribute at irregular intervals lecture notes riddled with typos, inconsistencies and omissions!

READING LIST
The following reading list gives a guide to the material that will be covered in the course. All articles are available on-line (follow the links).

The web page for this class is accessed through Bspace (http://bspace.berkeley.edu).
The course web page can be accessed via the department web page (http://emlab.berkeley.edu/econ/chpr.shtml).
TOPICS

1. Introduction; Baseline one-good model, complete markets – Aug 26


*Ljungqvist & Sargent, chapter 8


*Obstfeld and Rogoff, chapters 5


2. Extending the basic model: human capital, multiple goods – Sep. 02

**Baxter M. and U. Jerman**, "The international diversification puzzle is worse than you think", *American Economic Review*, March 1997, 87(1) and **appendix**


3. Frictions in asset markets I: risk-free bond-only economy – Sep. 09


4. Frictions in asset markets II: Capital Flows and Growth - Sep. 16


*Obstfeld, M.*, "International Finance and Growth in Developing Countries: What Have we Learned?", World Bank Commission on Growth and Development, WP No 34, 2008

5. Frictions in asset markets III: Incomplete Markets – Sep.30


6. **Frictions in asset markets IV: Limited Enforcement – Oct. 07**


Ljungqvist and Sargent, Chapter 19 and 20

*Obstfeld and Rogoff, Chapter 6

7. **Frictions in asset markets V: Default – Oct. 14**

*Arellano C., "Default Risk, the Real Exchange Rate and Income Fluctuations in Emerging Economies", American Economic Review, Jun 2008, 98(3)


Yue V., "Sovereign Debt and Renegotiation", mimeo NYU, 2006

8. **Frictions in goods markets I: Evidence – Oct. 21**


*P. Goldberg and M. Knetter, "Goods Prices and Exchange Rates: What Have We Learned?" Journal of Economic Literature Sep 1997, 35(3), 1243-1272


*Obstfeld and Rogoff Chapter 4


9. **Frictions in goods markets II: Non-traded goods – Oct. 28**


10. **Frictions in goods markets III: Trade Costs – Nov. 13 (Special Day/Time)**


*Coeurdacier N.*, "Do trade costs in goods markets lead to home bias in equities?" *Journal of International Economics*, Feb. 2009, 77, 86-100


11. **Varieties, Heterogenous Firms and Trade – Nov. 18 and 20 (Special Day/Time)**


12. **Extensive and Intensive Margins – Nov. 25**


*Obstfeld and Rogoff, Chapter 4

13. **Nominal Exchange Rates – Dec. 02**

*Obstfeld and Rogoff Chapter 8.1-8.3


