Econ 269: International Finance and Exchange Rates II  
Spring 2018

Instructor: Adrien Auclert (plus guest lectures by Oleg Itskhoki).

Lectures: Tuesdays and Wednesdays, 5:30–7:20pm in Econ 106. (Note unusual times and days).

Course objective: This course is one of two parts of the second year PhD International Macroeconomics sequence at Stanford. The other part (Econ 268) was taught by Patrick Kehoe in the fall quarter. We will cover both standard topics and recent advances in the field. The goal is to make you aware of the core body of research in international macro, and to inspire and prepare you to write your own research papers.

Textbooks: Although we will not follow any textbook, the following will be useful for background reading:


Grading: Grading will be based on:

a) Three problem sets designed to develop a mixture of theoretical, empirical, and quantitative skills. (Worth 50% of your grade)

b) A research proposal, which should be 4–5 pages long and describe: the question you want to address; why you think it is important; why you think the answer of the previous literature is unsatisfactory; and how you plan to improve it. (Worth 50% of your grade)

Prerequisites: First year core PhD macroeconomics sequence or equivalent. The class will be technical and will build on knowledge and tools developed in the first year. Please contact me if you want to take the class without having completed the core sequence.

Students with Documented Disabilities: Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk (phone: 723-1066, URL).
**Topics**

We will be covering the following topics.

a) **Classic topics in the field.** Intertemporal approach to the current account, international real business cycle models, international risk-sharing, gains from financial integration, global imbalances, uncovered interest rate parity. (6 classes)

b) **Monetary models.** Review of closed economy New Keynesian models, HANK models, international dimensions of monetary policy, currency unions. (8 classes)

c) **Exchange rates and prices.** Sticky price models of exchange rates, pricing-to-market and terms of trade, currency choice and international prices, financial models of exchange rates. (Guest lectures by Oleg Itskhoki, 2 classes)

d) **Sovereign debt.** Foundations, empirics, and quantitative models. (2 classes)

e) **International finance policy.** Capital controls, foreign exchange interventions. (2 classes)

There is some flexibility in terms of both topics and timing. Please reach out if there are topics you are especially interested in and I will try to accommodate them.

Last Update: 3/20/2018
1 The classics


1.1 Intertemporal approach to the current account

*OR, Chapters 1–2


1.2 Capital flows


1.3 Global imbalances


1.4 Business cycles and international risk-sharing, I: complete markets

OR, Chapter 5


1.5 Business cycles and international risk-sharing, II: incomplete markets


1.6 UIP and foreign exchange puzzles


2 Monetary models

2.1 The canonical New Keynesian model


2.2 Monetary policy in closed economies


2.3 Fiscal policy in closed economies


2.4 Monetary policy in open economies


2.5 Fiscal policy in open economies


2.6 Micro to macro with currency union models


Chodorow-Reich, G. (2016). Geographic Cross-Sectional Fiscal Multipliers: What Have We Learned?

2.7 Optimal policy


3 Exchange rates and prices (by Oleg Itskhoki)

3.1 Introduction


3.2 Sticky price models of exchange rates


3.3 Pricing-to-market and terms of trade


3.4 Currency choice and international prices


3.5 Currency choice and international prices


4 Sovereign Debt


4.1 Classics


4.2 Multiple equilibria


4.3 Maturity choice


5 International finance policy

5.1 Capital controls, macroprudential policy


5.2 Foreign exchange interventions


