

Department of Economics
Duke University

Professors Stephanie Schmitt-Grohé and Martín Uribe
TAs: Javier García-Cicco and Sarah Zubairy

Economics 170
International Macroeconomics
Spring 2008

Meetings: Mondays and Fridays 10:05 to 11:15 am, Allen 318.

Course Website: <http://www.econ.duke.edu/~uribe/econ170/econ170.html>

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TA García-Cicco's E-mail address: jg55@duke.edu

TA Sarah Zubairy's E-mail address: sarah.zubairy@duke.edu

Office Hours:

Professor Schmitt-Grohé: Mondays and Fridays 11:30-12:30, SocSci 221A.

Professor Uribe: Mondays and Fridays 11:30-12:30, SocSci 221.

TA Garcia-Cicco: Wednesdays and Thursdays 3-4pm, SocSci 325A.

TA Sarah Zubairy Wednesdays and Thursdays 3-4pm, SocSci 02D (basement).

Prerequisites: Economics 105D and Economics 110D.

Requirements: The final grade will be based on written assignments (20%), a midterm exam (35%), and a cumulative final exam (45%).

Midterm Exam: Friday, March 7, 2008 in class, usual time and location.

Final Exam: April 29, 3-5pm, cumulative.

Course description: Econ 170 is a field course in International Macroeconomics. The course develops a theoretical framework for the analysis of the determinants of international capital movements, trade imbalances, and nominal and real exchange rates. The theoretical framework is then used as the basis for the discussion of policy issues such as the emergence of the U.S. as a foreign debtor in the 1980s, the developing country debt crisis, exchange-rate-based inflation stabilization, debt default, and balance-of-payment crises.

Text: The material that will be drawn upon for the conceptual framework are lecture notes, which are posted on the course homepage.

Outline of the material to be covered in class:

1. Perspectives on Current Account Deficits and Sustainability

Lecture Notes, chapter 1, sections 1-3.

2. Savings, Investment, and the Current Account

Lecture Notes, chapter 1, section 4.

3. A Theory of Current Account Determination

Lecture Notes, chapter 2.

4. External Adjustment in Small and Large Economies

Lecture Notes, chapter 4.

5. The Twin Deficits

Lecture Notes, chapter 5, section 1.

6. An Economy with a Government Sector

Lecture Notes, chapter 5, section 2.

7. International Capital Market Integration

Lecture Notes, chapter 6.

8. The Law of One Price and Purchasing Power Parity

Lecture Notes, chapter 7.

Taylor, Alan M. and Mark P. Taylor, "The Purchasing Power Parity Debate," *Journal of Economic Perspectives* 18, Fall 2004, 135-158.

9. The Macroeconomics of External Debt

Lecture Notes, chapter 9.

10. Monetary Policy and Nominal Exchange Rate Determination

(a) The Quantity Theory of Money

Lecture Notes, chapter 10, section 1.

(b) A Dynamic Optimizing Model for the Determination of Prices and Exchange Rates

Lecture Notes, chapter 10, section 2.

(c) Balance-of-Payments (BOP) Crises

Lecture Notes, chapter 10, section 3.