Instructor

Chris Edmond
Office Hours: Mon 1:00pm - 3:00pm, Economics and Commerce Rm 419
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Prerequisites

316-612 Macroeconomics and 316-470 Advanced Econometric Techniques (or equivalent)

Classes

Mon 11:00am - 12:30pm, Economics and Commerce Rm 535
Wed 11:00am - 12:30pm, Economics and Commerce Rm 535

Textbook

Luckily, there is a superb advanced textbook on international macroeconomics. All students should buy:


Subject overview

An advanced introduction to international macroeconomics. Covers topics such as: savings, investment, and the current account; purchasing power parity, the real exchange rate and terms of trade; international financial markets, risk sharing, and asset pricing; money and exchange rates.

Assessment

Final examination worth 70% and six homework assignments worth a total of 30%.

Schedule of topics

- The basic plan of this course will be to cover as much of Obstfeld and Rogoff as possible; the main exceptions being that I will not cover any material from Chapter 3 (on intergenerational economics) Chapter 6 (on capital market imperfections) or Chapter 7 (on economic growth). This material is more-or-less a direct extension of topics covered in your core micro and macroeconomics courses.
Students with strong interests in international monetary economics are also encouraged to attend my Honours course, 316-466 Monetary Economics, where many related topics will be covered, often in more detail than will be possible in this course.

Rather than provide an extensive reading list, as might be more appropriate for a “topics” class, I have restricted the required readings to chapters of the textbook and to a handful of key articles. In short, this course is very much an introduction to international macroeconomics at an advanced level.

I plan to split the course into two parts, each of six weeks (12 lectures). There will be three homework assignments for each of the two parts.

**PART I: REAL WORLDS**

1. **Intertemporal trade and the current account** (Chapter 1 of Obstfeld and Rogoff). Two lectures. Consumption and saving in two-period models of small open economies, with and without investment. World real interest rates.

2. **Dynamics of small open economies** (Chapter 2). Three lectures. Small open economies in many-period settings. Dynamic and stochastic models of the current account.
   - A slightly more intense survey of the topic is:
   - First homework due at end of week three.

3. **The real exchange rate and the terms of trade** (Chapter 4). Four lectures. International price levels and the real exchange rate. Nontraded goods. The law of one price. Productivity growth and real exchange rates. The terms of trade in a dynamic Ricardian model.
   - Some great papers on international relative prices:
   - Second homework due at end of week five.

   - Third homework due at end of week six.
PART II: NOMINAL WORLDS


   - A classic reference for the flexible price approach:
   - Fourth homework due at end of week eight.


   - Anybody with a serious interest in macroeconomics should read Dornbusch’s classic paper:
   - An outstanding, if lengthy, piece of empirical work:
   - Fifth homework due at end of week ten.

3. **Sticky price models of output, the exchange rate, and the current account** (Chapter 10). Four lectures. The basic microfounded model that lies at the heart of the “new open economy macroeconomics”.

   - This model was introduced by Obstfeld and Rogoff in:
   - Sixth homework due at end of week twelve.

4. **Recent developments** (as time permits).

   - Some recent articles that we might discuss: