Notes: Issues in International Macro and Finance
September 8, 2004

1. Why are you here?
   Who are you, what’s your background, what do you expect from this course?

2. Great subject, great place.
   Great subject, great questions and issues, socially important, relatively under-explored
   NYU has best collection anywhere of people with related interests (Venn: macro, finance, trade, growth)

3. Rules
   active participation: ask questions, argue with me
   work hard
   read the syllabus

4. Approach
   Facts \(\iff\) Theory
   (observe and interpret)

5. Today
   issues
   theory (modern version of Adam Smith)

6. Issues
   what’s the issue, what do we know about it?
   
   - International prices
     - Bill Greene’s book [handout]
   
   - Globalization (picture a country: Mexico, China, Turkey, Argentina, Korea)
     - what do we mean by it? (goods, capital, other?) [IMF figs]
     - what is the impact?
     - is globalization good for them? bad?
   
   - Capital flows
     - a good thing?
     - small or large? (FH, Lucas) compare to: past, investment, capital stock?
     - why countercyclical? sudden stops? [BK history table]
     - diversification?
   
   - Crises
     - what do they look like?
     - are they made worse by open capital markets?
– how might they be mitigated? should they be?
– why are current accounts countercyclical?

• Fluctuations
  – are business cycles synchronized? should we expect them to be? [BKK table]
  – should (say) European integration to lead to greater synchronization?

• US trade deficit
  – compare: US, Argentina, etc [Economist tables]
  – why?
  – is it a problem?
  – what assets are they buying?

• Asset returns
  – what assets?
  – are they correlated across countries?
  – does the exchange rate matter?
  – room for diversification?

7. Coming up

  • first half: Arrow-Debreu economies
  • second half: frictions? (what might they be?)