

## 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  $\Leftrightarrow$  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 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?)