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DESCRIPTION
This class addresses the following main topics: exchange rate determination in open economy models, failures of the law of one price and pricing to market, international business cycles transmission in general equilibrium models, exporter dynamics, short and long run adjustments of trade flows, determinants of international capital flows and multinational production. The readings for the class will be equally split between theory and empirical papers. We will discuss stylized facts and the empirical performance of the models on these facts as well as major theoretical puzzles. We will also discuss topics for new research questions on the empirical and theoretical front.

There will be no final exams but there will be 3 problem sets, 1 presentation and a take home final each counting towards 20% of the final grade.

TEXTBOOK/CLASS NOTES
There will not be a particular reference for the course. However, a good book is Obstfeld and Rogoff, 1996, “Foundations of International Macroeconomics,” MIT Press. Useful notes can also be found in the following websites:
L. Drozd: http://www.ssc.wisc.edu/~ldrozd/871.htm
A. Ramanarayanan http://sites.google.com/site/ananthramananarayanan/9613a
M. Uribe: http://www.columbia.edu/~mu2166/GIM/GIM.html
Class notes will also be distributed
TOPICS AND TENTATIVE DATES
Note: the material below is quoted in the (tentative) order that they will be mentioned in class (topics and papers). Papers indicated, as ‘other readings’ is potential material for class presentations.

Tentative Class Schedule

International Real Business Cycles (Week 1-2)

In Class
HP filter, in class notes

Other Readings

International Risk Sharing and Incomplete Markets (Week 3-4)

In class
Heathcote, J. and F. Perri, 2007 “International diversification is not as bad as you think,” manuscript. University of Minnesota.
Other Readings

Global Imbalances (Week 4-5):
In class

Other Readings

Puzzles and new directions in international macroeconomics. (Week 5-6)
In Class

Other Readings
Gourinchas, P. and O. Jeanne, 2009, “Capital Flows to Developing Countries: The Allocation Puzzle”

**International Price Setting (6-7)**

*In class*


*Other readings*


**Exchange Rates (Week 7-8)**

*In class*


*Other readings*

Sovereign Default (Week 9)

In class

Other readings

Capital Flows and Multinational Production (Week 10-11)

In Class
Arkolakis C., N. Ramondo, A. Rodriguez-Clare, and Yeaple, “TBA”

Other readings

Numerical Methods (will be used to analyze and solve papers presented during class)