General Information:
Instructor: Costas Arkolakis
Teaching Fellow (TF): Federico Esposito
Lecture: M and W, 09:00am – 10:15am, Luce Hall 202
Office: 28 Hillhouse, Room 312
Office Hours: Instructor: M 10:15am-11:15am & by apt. TF: Tue 10:00am -11:00am.
TF session: Fri 9:30am-10:20am or 10:30am-11:20pm.
Phone: 203 432 3527
Email: costas.arkolakis@yale.edu
Web page: www.econ.yale.edu/~ka265

Course Description
The aim of the course is that the students develop an understanding of the main implications of increasing integration of the world economy. By describing the various ways that countries are affected by each other -through trade linkages, multinational production, or financial markets- the course will try to explain how these forces affect the decisions of individuals and firms. Topics covered in the course include theories and facts about the trade costs, the current account, exchange rate determination, international macroeconomic co-movement, multinational production and gains from globalization. The class will maintain focus to applying this knowledge to real world applications. In this spirit, we will have a number of visitor’s lectures that will share their experience about the topics discussed in class.

Course Structure
The course will be divided in two sections. The first section will be more like a traditional lecture class and will focus on theoretical models and empirical facts. The second section will be more like a seminar course with presentations by students and wide discussion on topics in international finance and international macroeconomics.
There will be two problem sets, a midterm, a short presentation, and a final term paper. The first part of the course will also provide important tools for the students with which to prepare their presentation and their term paper. For each topic, and after we finish the discussion of the empirical facts and possible explanations, students will be invited to express their own opinion about current events. In the presentations, students will put forth the main arguments and ideas that will be part of their term paper.

Background
The prerequisite for this class is Intermediate Macroeconomics or equivalent.

Notes for the class
There will be no official textbook for this class. We will draw some basic material for parts of the course from the online textbook: “International Macroeconomics” by Stephanie Schmitt-Grohe and Martin Uribe (henceforth S-U) that is available for download at http://www.columbia.edu/~mu2166/UIM/notes.pdf. Additional material for the class will be derived from class notes. We will also cover a number of papers as indicated in the tentative class schedule below. Relevant class material will be uploaded in the classes v2 website.

Other useful textbooks
International Economics, 2008, by Robert Feenstra and Alan Taylor (FT), Worth Publishers

Class Web Page and email contact.
I will post all the class material on the classes’ server (http://classesv2.yale.edu). You can also email me at costas.arkolakis@yale.edu provided that you put in the subject of the email “ECON 407”.

Midterm exam and problem sets. In the midterm exam and two problem sets the students must illustrate that they have comprehended the class material. You are supposed to work independently and violations of academic integrity will be taken seriously.

Final Term Paper and presentation.
The final term paper is expected to be a small piece of original research that draws on the models and applications that are taught during this course. There will also be a short class presentation illustrating the main points and arguments made in the term paper. I expect you to formulate a hypothesis/question and try to answer it with one or more tools. These tools could include surveying the literature, finding some data or empirical evidence, developing your own theoretical model. Whatever you do, it should be systematic and you should always maintain the focus on your main question and/or hypothesis. Note that the final term paper is due on April 28th, by email. This email needs to be titled “ECON 407 term paper” and addressed to the instructor and teaching fellow and yourself to make sure the term paper has been delivered. No extensions are allowed unless for documented reasons with the explicit written permission of the College Dean.

Grading Criteria:
The weights for the final grade will be as follows:
Term Paper: 30%
Class Presentations 10%
2 Problem Sets 15% each
Midterm 30%

Guest Lectures
There will be guest lectures that will be part of the regular class. Visitors will be people with years-long experience of the workings of the global economy. The dates of these lectures will be announced in class.

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<tr>
<th>Date</th>
<th>Lecture</th>
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<tbody>
<tr>
<td>Week 1</td>
<td>Current Account</td>
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<tr>
<td>Week 2</td>
<td>Global Imbalances / Exchange Rates</td>
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<td>Week 3</td>
<td>Exchange Rates/ PS1 is handed</td>
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<tr>
<td>Week 4</td>
<td>Foreign Exchange Market</td>
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<td>Week 5</td>
<td>International Financial Markets/Sovereign Debt</td>
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<td>Week 6</td>
<td>Sovereign Debt/PS1 is due</td>
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<td>Week 7</td>
<td>International Business Cycles/PS2 is handed</td>
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<td>Week 8</td>
<td>Currency Crises and Banking Panics/Midterm</td>
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<tr>
<td>Week</td>
<td>Topic</td>
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<td>Week 9</td>
<td>Currency Crises and Banking Panics</td>
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<td>Week 10</td>
<td>Gains from Openness/PS 2 is due</td>
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<td>Week 11</td>
<td>Gains from Openness/Class Review</td>
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<td>Week 12</td>
<td>Class Presentations</td>
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<td>Week 13</td>
<td>Class Presentations</td>
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Tentative Class Material, by Topic
(Material indicated with (*) will be covered in class and will be the base for homework assignments and possibly for the midterm exam. The rest of the readings may be discussed in class but is also ideal material to draw ideas for your presentations and the term paper.

Current Account and Global Imbalances
* S-U chapters 1-3 and 7 and class notes.

Other Academic Readings

Other Readings
Economist: Global Economic Imbalances (http://www.economist.com/node/12972083)

Real and Nominal Exchange Rates and the Foreign Exchange Market
* S-U chapters 9 and 12 and class notes.

Other Academic Readings

Other Readings
Economist: Fix or float, sink or swim? (http://www.economist.com/node/597868)
**International Financial Markets and Sovereign Debt**
* S-U notes chapter 11 and class notes.

*Other Academic Readings*

*Other Readings*
Economist: Global Debt Clock (http://www.economist.com/content/global_debt_clock)

**International Business Cycles**
* S-U chapter 4 and class notes.

*Other Academic Readings*

*Other readings*
Economist: Globalization and Trade, the nuts and bolts come apart (http://www.economist.com/node/13362027)

**Currency Crises and Banking Panics**
* S-U chapter 12 and class notes

Other Academic Readings

Other Readings
Economist: The Domino Effect (http://www.economist.com/node/11667810)
http://www.voxeu.org/article/next-sudden-stop

Gains from Openness
*Class notes
*Arkolakis C., N. Ramondo, A. Rodriguez-Clare and Steven Yeaple, 2011, “Innovation and Production in the Global Economy”.

Other Academic Readings

Other Readings

Some additional interesting readings on crises and crashes: