

Economics W4505  
**International Monetary Theory and Policy**  
Spring 2011

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**Meetings:** Tuesdays and Thursdays 9:10am-10:25am, 209 Havemeyer Hall.

**TA Sessions:** TBA.

**Course Website:** <http://www.columbia.edu/~mu2166/teaching.html>

**Prerequisites:** Economics W3211 and Economics W3213.

**Requirements:** The final grade will be based on written assignments (20%), a midterm exam (35%), and a cumulative final exam (45%).

**Midterm Exam:** Thursday March 10, in class.

**Final Exam:** Thursday, May 12, 9am to noon (projected).

**Course description:** Econ W4505 is a field course in International Macroeconomics. The course develops a theoretical framework for the analysis of the determinants of international capital movements, trade imbalances, and nominal and real exchange rates. The theoretical framework is then used as the basis for the discussion of policy issues such as the emergence of the U.S. as a foreign debtor in the 1980s, the developing country debt crisis, exchange-rate-based inflation stabilization, debt default, balance-of-payment crises, and the effect of the 2007-8 developed-country crisis on the world economy.

**Text:** The material that will be drawn upon for the conceptual framework are lecture notes, which are posted on the course homepage.

**Outline of the material to be covered in class:**

**1. Perspectives on Current Account Deficits and Sustainability**

Lecture Notes, chapter 1, sections 1-3.

**2. Savings, Investment, and the Current Account**

Lecture Notes, chapter 1, section 4.

**3. A Theory of Current Account Determination**

Lecture Notes, chapter 2.

**4. External Adjustment in Small and Large Economies**

Lecture Notes, chapter 4.

**5. The Twin Deficits**

Lecture Notes, chapter 5, section 1.

**6. An Economy with a Government Sector**

Lecture Notes, chapter 5, section 2.

**7. International Capital Market Integration**

Lecture Notes, chapter 6.

**8. The Law of One Price and Purchasing Power Parity**

Lecture Notes, chapter 7.

Taylor, Alan M. and Mark P. Taylor, "The Purchasing Power Parity Debate," *Journal of Economic Perspectives* 18, Fall 2004, 135-158.

**9. The Macroeconomics of External Debt**

Lecture Notes, chapter 9.

**10. Monetary Policy and Nominal Exchange Rate Determination**

(a) The Quantity Theory of Money

Lecture Notes, chapter 10, section 1.

(b) A Dynamic Optimizing Model for the Determination of Prices and Exchange Rates

Lecture Notes, chapter 10, section 2.

(c) Balance-of-Payments (BOP) Crises

Lecture Notes, chapter 10, section 3.