

Economics 280C

Spring 2013 Reading List

Updated: 1/14/13

Maurice Obstfeld

Classes will be held Tuesdays 10 A.M. – 12 P.M. in 639 Evans Hall.

Textbooks

The main required texts for the course are:

Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics* (MIT Press, 1996).

Eichengreen, Barry, *Globalizing Capital*, 2d edition (Princeton University Press, 2008).

Two additional books you may wish to obtain are:

Nelson C. Mark, *International Macroeconomics and Finance: Theory and Econometric Methods* (Blackwell Publishers, 2001).

Michael W. Klein and Jay C. Shambaugh, *Exchange Rate Regimes in the Modern Era* (MIT Press, 2010).

Topics and Additional Readings

Note: Many works are available at JSTOR. Elsevier journals are available online. Recent working papers or pre-publication versions of published works are often at <http://www.nber.org>.

1. Traditional Macro Models and Monetary Policy

Baxter, Marianne, and Alan C. Stockman, "Business Cycles and the Exchange Rate Regime: Some International Evidence," *Journal of Monetary Economics* 23 (May 1989): 377-400.

Dornbusch, Rudiger, "Expectations and Exchange Rate Dynamics," *Journal of Political Economy* 84 (December 1976): 1161-76.

Engel, Charles, and Kenneth D. West, "Taylor Rules and the Deutschmark-Dollar Real Exchange Rate," *Journal of Money, Credit, and Banking* 38 (August 2006): 1175-94.

Engel, Charles, Nelson C. Mark, and Kenneth D. West, "Exchange Rate Models Are Not as Bad as You Think," *NBER Macroeconomics Annual 2007*, edited by

Daron Acemoglu, Kenneth Rogoff, and Michael Woodford (University of Chicago Press, 2009).

Flood, Robert P., and Mark P. Taylor, "Exchange Rate Economics: What's Wrong with the Conventional Macro Approach?" in *The Microstructure of Foreign Exchange Markets*, edited by Jeffrey A. Frankel, Giampaolo Galli, and Alberto Giovannini (University of Chicago Press, 1996).

Keynes, John Maynard, *A Tract on Monetary Reform* (Macmillan, 1923).

Mark, chapters 3, 8.

Mundell, Robert A., "A Theory of Optimum Currency Areas," *American Economic Review* 51 (November 1961): 509-17.

Mundell, Robert A., "Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates," *Canadian Journal of Economics and Political Science* 29 (November 1963): 475-85.

Obstfeld-Rogoff, chapters 8.1-8.2, 9.1-9.4.

Rogoff, Kenneth, "Dornbusch's Overshooting Model after 25 Years," *IMF Staff Papers* 49 (Special Issue 2002): 1-34.

<http://www.imf.org/external/pubs/ft/wp/2002/wp0239.pdf>

2. New Open Economy Macroeconomics

Benigno, Gianluca, and Pierpaolo Benigno, "Exchange Rate Determination under Interest Rate Rules," *Journal of International Money and Finance* (2009).

Bowman, David, and Brian M. Doyle, "New Keynesian, Open-Economy Models and Their Implications for Monetary Policy," International Finance Discussion Papers 762, Board of Governors of the Federal Reserve System, March 2003.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=392402

Chari, V. V., Patrick J. Kehoe, and Ellen McGrattan, "Can Sticky Price Models Generate Volatile and Persistent Real Exchange Rates?" *Review of Economic Studies* 69 (August 2002): 533-63.

Clarida, Richard H., "Reflections on Monetary Policy in the Open Economy," in *International Seminar on Macroeconomics 2008*, edited by Jeffrey Frankel and Christopher Pissarides (University of Chicago Press, 2009).

Corsetti, Giancarlo, and Paolo Pesenti, "The Simple Geometry of Transmission and Stabilization in Closed and Open Economies," in *International Seminar on*

Macroeconomics 2007, edited Richard H. Clarida and Francesco Giavazzi (University of Chicago Press, 2008).

Devereux, Michael B., and Charles Engel, "Monetary Policy in the Open Economy Revisited: Price Setting and Exchange-Rate Flexibility," *Review of Economic Studies* 70 (October 2003): 765-83.
<http://ideas.repec.org/a/bla/restud/v70y2003i4p765-783.html>

Devereux, Michael B., Charles Engel, and Peter E. Storgaard, "Endogenous Exchange Rate Pass-Through When Nominal Prices Are Set in Advance," Working Paper 9543, National Bureau of Economic Research, March 2003.

Erceg, Christopher J., Luca Guerrieri, and Christopher Gust, "Expansionary Fiscal Shocks and the US Trade Deficit," *International Finance*, Winter 2005.

Ghironi, Fabio, and Marc Melitz, "International Trade and Macroeconomic Dynamics with Heterogeneous Firms," *Quarterly Journal of Economics* 120 (August 2005): 865-915.

Lane, Philip, "The New Open Economy Macroeconomics: A Survey," *Journal of International Economics* 54 (August 2001): 235-66.

Mark, chapter 9.

Obstfeld, Maurice, "International Macroeconomics: Beyond the Mundell-Fleming Model," *IMF Staff Papers* 47 (Special Issue 2001): 1-39.

Obstfeld, Maurice, "Pricing-to-Market, the Interest-Rate Rule, and the Exchange Rate," Working Paper 12699, National Bureau of Economic Research, November 2006. <http://www.nber.org/papers/w12699>

Obstfeld, Maurice, and Kenneth Rogoff, "New Directions for Stochastic Open Economy Models," *Journal of International Economics* 50 (Feb. 2000): 117-53.

Obstfeld-Rogoff, chapter 10.

Sbordone, Argia M., "Globalization and Inflation Dynamics: The Impact of Increased Competition," Federal Reserve Bank of New York, Staff Report 324 (April 2008). http://www.newyorkfed.org/research/staff_reports/sr324.pdf

3. Portfolio Models and Foreign Exchange Intervention

Blanchard, Olivier, Francesco Giavazzi, and Filipa Sa, "International Investors, the U.S. Current Account, and the Dollar," *Brookings Papers on Economic Activity* (1:2005): 1-65.

Engel, Charles, and Akito Matsumoto, "The International Diversification Puzzle When Goods Prices are Sticky," *American Economic Journal: Macroeconomics* (July 2009).

Kouri, Pentti J. K., "Balance of Payments and the Foreign Exchange Market: A Dynamic Partial Equilibrium Model," in *Economic Interdependence and Flexible Exchange Rates*, edited by J. S. Bhandari and B. H. Putnam (MIT Press, 1983).

Obstfeld, Maurice, "International Risk Sharing and the Costs of Trade," May 2007. http://www.econ.berkeley.edu/~obstfeld/Ohlin_show.pdf

Stulz, Rene M., "The Demand for Foreign Bonds," *Journal of International Economics* 15 (November 1983): 225-38.

4. More on International Pricing

Atkeson, Andrew, and Ariel Burstein, "Trade Costs, Pricing to Market, and International Relative Prices," *American Economic Review*, December 2008.

Dornbusch, Rudiger, "Exchange Rates and Prices," *American Economic Review* 77 (March 1987): 93-106.

Goldberg, Linda, and Cedric Tille, "Vehicle Currency Use in International Trade," Working Paper 11127, National Bureau of Economic Research, February 2005.

Gopinath, Gita, and Oleg Itskhoki. "Frequency of Price Adjustment and Pass-through." Working Paper 14200, National Bureau of Economic Research, July 2008.

Gopinath, Gita, and Roberto Rigobon. "Sticky Borders." *Quarterly Journal of Economics*, May 2008.

Gopinath, Gita, Oleg Itskhoki, and Roberto Rigobon. "Currency Choice and Exchange-rate Pass-through." Working Paper 13432, National Bureau of Economic Research, September 2007.

Krugman, Paul. "Pricing to Market When the Exchange Rate Changes," in *Real-Financial Linkages among Open Economies*, edited by Sven W. Arndt and J. David Richardson (MIT Press, 1987).

5. International Macroeconomic Policy Coordination and Exchange Rates

Benigno, Gianluca, and Pierpaolo Benigno, "Price Stability in Open Economies," *Review of Economic Studies* 70 (October 2003): 743-64.
<http://ideas.repec.org/a/bla/restud/v70y2003i4p743-764.html>

Canzoneri, Matthew B., Robert E. Cumby, and Behzad T. Diba, "The Need for International Policy Coordination: What's Old, What's New, What's Yet to Come?" *Journal of International Economics* (2005).

Canzoneri, Matthew B., and Dale W. Henderson, *Monetary Policy in Interdependent Economies* (MIT Press, 1991).

Obstfeld-Rogoff, chapter 9.5.5.

6. Currency Crises

Angeletos, George-Marios, and Ivan Werning, "Crises and Prices: Information Aggregation, Multiplicity, and Volatility," *American Economic Review* 96 (December 2006): 1720-36.

Atkeson, Andrew, "Comment," in *NBER Macroeconomics Annual 2000*, edited by Ben Bernanke and Kenneth Rogoff (MIT Press, 2001).

Calvo, Guillermo A., "Capital Flows and Capital-Market Crises: The Simple Economics of Sudden Stops," *Journal of Applied Economics* 1 (November 1998): 35-54.

Chari, V. V., and Patrick J. Kehoe, "Hot Money," *Journal of Political Economy* 111 (December 2003): 1262-92.

Flood, Robert P., and Peter M. Garber, "Collapsing Exchange-Rate Regimes: Some Linear Examples," *Journal of International Economics* 17 (August 1984): 1-13.

Hellwig, Christian, Arijit Mukherji, and Aleh Tsyvinski, "Self-fulfilling Currency Crises: The Role of Interest Rates," *American Economic Review* 96 (December 2006): 1769-87.

Kaminsky, Graciela L., and Carmen M. Reinhart, "The Twin Crises: The Causes of Banking and Balance-of-Payments Problems," *American Economic Review* 89 (June 1999): 473-500.

Klein-Shambaugh, chapter 4.

Krugman, Paul R. "A Model of Balance-of-Payments Crises," *Journal of Money, Credit and Banking* 11 (August 1979): 311-25.

Mark, chapter 11.

Morris, Stephen, and Hyun Song Shin, "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks," *American Economic Review* 88 (June 1998): 587-97.

Obstfeld, Maurice, "Models of Currency Crisis with Self-Fulfilling Features," *European Economic Review* 40 (April 1996): 1037-47.

Obstfeld, Maurice, and Kenneth Rogoff, "The Mirage of Fixed Exchange Rates," *Journal of Economic Perspectives* 9 (Fall 1995): 73-96.

Obstfeld-Rogoff, chapters 8.4, 9.5.

7. Macroeconomic Problems of Developing Countries

Agenor, Pierre-Richard, *The Economics of Adjustment and Growth*, second edition (Harvard University Press, 2004).

Aghion, Philippe, Philippe Bacchetta, and Abhijit Banerjee, "A Corporate Balance Sheet Approach to Currency Crises," manuscript, November 2001.
<http://www.hec.unil.ch/deep/Textes/01.14.pdf>

Aguiar, Mark, and Gita Gopinath. "Emerging Market Business Cycles: The Cycle is the Trend." *Journal of Political Economy*, February 2007.

Caballero, Ricardo J., and Arvind Krishnamurthy, "International and Domestic Collateral Constraints in a Model of Emerging Market Crises," *Journal of Monetary Economics* 48 (December 2001): 513-48.

Calvo, Guillermo A., *Emerging Capital Markets in Turmoil* (MIT Press, 2005).

Calvo, Guillermo A., and Carmen M. Reinhart, "Fear of Floating," *Quarterly Journal of Economics* 117 (May 2002): 379-408.

Calvo, Guillermo A., and Frederic S. Mishkin, "The Mirage of Exchange Rate Regimes for Emerging Market Countries," *Journal of Economic Perspectives* 17 (Fall 2003): 99-118.

Chang, Roberto, and Andres Velasco, "A Model of Financial Crises in Emerging Markets," *Quarterly Journal of Economics* 116 (May 2001): 489-517.

Diaz-Alejandro, Carlos. F., "Good-Bye Financial Repression, Hello Financial Crash," *Journal of Development Economics* 19 (September/October 1985): 1-24.

Dornbusch, Rudiger, "The Latin Triangle," in *Keys to Prosperity* (MIT Press, 2000).

Edwards, Sebastian, *The Order of Liberalization of the External Sector in Developing Countries*, Princeton Essays in International Finance 156, 1984.

Edwards, Sebastian, editor, *Capital Flows and Capital Controls in Emerging Economies* (University of Chicago Press, 2007). Chapters available at <http://www.nber.org/books/ICF/index.html>

Eichengreen, Barry, and Ricardo Hausmann, "Exchange Rates and Financial Fragility," in *New Challenges for Monetary Policy* (Federal Reserve Bank of Kansas City Symposium Proceedings, 1999).
<http://www.kc.frb.org/publicat/sympos/1999/S99eich.pdf>

Gourinchas, P.-O. and M. Obstfeld. "Stories of the Twentieth Century for the Twenty-First." Mimeo, January 2011.

Krugman, Paul R. "Balance Sheets, the Transfer Problem, and Financial Crises," in *International Finance and Financial Crises: Essays in Honor of Robert P. Flood, Jr.*, edited by Peter Isard, Assaf Razin, and Andrew K. Rose (Kluwer Academic Publishers, 1999).

McKinnon, Ronald I., and Huw Pill, "Credible Liberalizations and International Capital Flows: The 'Overborrowing Syndrome'," in *Financial Deregulation and Integration in East Asia*, edited by Takatoshi Ito and Anne O. Krueger (University of Chicago Press, 1996).

Martin, Philippe, and Helene Rey, "Globalization and Emerging Markets: With or Without Crash?" *American Economic Review* 96 (December 2006): 1631-51.

Obstfeld, Maurice, Jay C. Shambaugh, and Alan M. Taylor, "Financial Stability, the Trilemma, and International Reserves," *American Economic Journal: Macroeconomics* (April 2010).

Rajan, Raghuram R., and Ioannis Tokatlidis, "Dollar Shortages and Crises," *International Journal of Central Banking* 1 (September 2005): 177-220.

Velasco, Andres, "Financial Crises and Balance of Payments Crises: A Simple Model of the Southern Cone Experience," *Journal of Development Economics* 27 (October 1987): 263-83.

8. Exchange Rate Target Zones

Krugman, Paul R., "Target Zones and Exchange Rate Dynamics," *Quarterly Journal of Economics* 106 (August 1991): 669-82.

Mark, chapter 10.

Obstfeld-Rogoff, chapters 8.5-8.6.

Obstfeld, Maurice, Jay C. Shambaugh, and Alan M. Taylor, "The Trilemma in History: Tradeoffs among Exchange Rates, Monetary Policies, and Capital Mobility" *Review of Economics and Statistics* 87 (August 2005): 423-38.
<http://mitpress.mit.edu/catalog/item/default.asp?tttype=6&tid=18918>

9. New and Older Views on International Trade Balances and Adjustment

Caballero, Ricardo J., Emmanuel Farhi, and Pierre-Olivier Gourinchas, "An Equilibrium Model of 'Global Imbalances' and Low Interest Rates," *American Economic Review*, forthcoming 2008.

Feenstra, Robert C., Maurice Obstfeld, and Kathryn N. Russ, "In Search of the Armington Elasticity," mimeo, UC Berkeley and UC Davis, 2010.

Ferrero, Andrea, "The Long Run Determinants of the US External Imbalances," mimeo, Federal Reserve Bank of New York, December 2007.
http://www.newyorkfed.org/research/staff_reports/sr295.html

Gagnon, Joseph R., "Productive Capacity, Product Varieties, and the Elasticities Approach to the Trade Balance," International Finance Discussion Papers 781, Board of Governors of the Federal Reserve System, October 2004 (revised).
<http://www.federalreserve.gov/pubs/ifdp/2003/781/ifdp781r.pdf>

Gourinchas, Pierre-Olivier, and Helene Rey, "International Financial Adjustment," *Journal of Political Economy* 115 (August 2007): 665-703.

Imbs, Jean, and Isabelle Méjean, "Elasticity Optimism," mimeo, HEC Lausanne, August 2009.
http://www.banque-france.fr/fondation/gb/telechar/seminaires/2009/imbs_mejean_27aug2009.pdf

Krugman, Paul R. "Is the Strong Dollar Sustainable?" in *The U.S. Dollar: Prospects and Policy Options* (Federal Reserve Bank of Kansas City Symposium Proceedings, 1985).

Krugman, Paul R. "Differences in Income Elasticities and Trends in Real Exchange Rates," *European Economic Review* 33 (May 1989): 1031-54.

Krugman, Paul R., "Has the Adjustment Process Worked?" in *International Adjustment and Financing: The Lessons of 1985-1991*, edited by C. Fred Bergsten (Institute for International Economics, 1991).

Lane, Philip, and Gian Maria Milesi-Ferretti, "International Financial Integration," *IMF Staff Papers* 50 (Special Issue 2003): 83-113.
<http://www.imf.org/External/Pubs/FT/staffp/2002/00-00/pdf/lane.pdf>

Obstfeld, Maurice, "External Adjustment," *Review of World Economics* (December 2004).

Obstfeld, Maurice, and Kenneth Rogoff, "The Unsustainable U.S. Current Account Position Revisited," in *G7 Current Account Imbalances*, edited by Richard Clarida (University of Chicago Press, 2007).

Ruhl, Kim, "Solving the Elasticity Puzzle in International Economics," manuscript, Federal Reserve Bank of Minneapolis, November 2003.
<http://www.eco.utexas.edu/~kjr296/files/fixed.pdf>

Tille, Cedric, "The Impact of Exchange Rate Movements on U.S. Foreign Debt," *Current Issues in Economics and Finance* 9 (January 2003), Federal Reserve Bank of New York. http://www.newyorkfed.org/research/current_issues/ci9-1.html

10. Financial Globalization, World Income, and History

Acemoglu, Daron, Simon Johnson, and James R. Robinson, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics* 117 (November 2002): 1231-94.

Acemoglu, Daron, and Jaume Ventura. "The World Income Distribution," *Quarterly Journal of Economics* 117 (May 2002): 659-94.

Alfaro, Laura, Sebnem Kalemli-Ozkan, and Vadym Volosovych, "Capital Flows in a Globalized World: The Role of Policies and Institutions," in *Capital Controls and Capital Flows in Emerging Economies*, edited by Sebastian Edwards (University of Chicago Press, 2007).

Engerman, Stanley L., and Kenneth D. Sokoloff, "Factor Endowments, Institutions, and Differential Paths of Growth among New World Economies: A View from Economic Historians of the United States," in *How Latin America Fell Behind*, edited by Stephen Haber (Stanford University Press, 1997).

Farhi, Emmanuel, Pierre-Olivier Gourinchas, and H  l  ne Rey. *Reforming the International Monetary System*. London: Centre for Economic Policy Research, September 2011. Available at: <http://www.cepr.org/pubs/books/P226.asp>

Fischer, Stanley, "Globalization and Its Challenges," *American Economic Review* 93 (May 2003): 1-30.

Frieden, Jeffry, *Will Global Capitalism Fall Again?* Bruegel Essay and Lecture Series, January 2007.
<http://www.bruegel.org/Files/media/PDF/Publications/Latest/GlobalCapFallAgainWebversion.pdf>

Glaeser, Edward L., Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, "Do Institutions Cause Growth?" Working Paper 10568, National Bureau of Economic Research, June 2004.

Gourinchas, Pierre-Olivier, and Olivier D. Jeanne, "The Allocation Puzzle," manuscript, 2012.

Henry, Peter Blair, "Capital Account Liberalization: Theory, Evidence, and Speculation," *Journal of Economic Literature* 45 (December 2007): 887-935.

Jones, Charles I., "On the Evolution of the World Income Distribution," *Journal of Economic Perspectives* 11 (Summer 1997): 19-36.

Kose, M. Ayhan, Eswar Prasad, Kenneth Rogoff, and Shang-Jin Wei, "Financial Globalization: A Reappraisal," *IMF Staff Papers* (March 2009).

Lucas, Robert E., Jr., "Why Doesn't Capital Flow from Rich to Poor Countries?" *American Economic Review* 80 (May 1990): 92-6.

Matsuyama, Kiminori, "Financial Market Globalization, Symmetry-Breaking, and Endogenous Inequality of Nations," *Econometrica* 72 (May 2004): 853-84.

Nurkse, Ragnar, "International Investment Today in the Light of 19th-century Experience," *Economic Journal* 64 (December 1954): 744-58.

Obstfeld, Maurice, "Europe's Gamble." *Brookings Papers on Economic Activity*, 1997.

Obstfeld, Maurice, "International Finance and Growth in Developing Countries: What Have We Learned?" *IMF Staff Papers* (March 2009).

Obstfeld, Maurice, "Finance at Center Stage: Revisiting [RMU@10](#)," manuscript, 2013.

Obstfeld, Maurice, and Alan M. Taylor, *Global Capital Markets: Integration, Crisis, and Growth* (Cambridge University Press, 2004).

Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi, "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development," Working Paper 9305, National Bureau of Economic Research, November 2002.

Sachs, Jeffrey D., "Institutions Don't Rule: Direct Effects of Geography on Per Capita Income," Working Paper 9490, National Bureau of Economic Research, February 2003.