

Econ 4520: International Finance

University of Pennsylvania- Spring 2023

Time: MW, 8:30-10:00 am

Place: PCPE 200. Please note that all lectures will be in person.

Instructor: Rishabh Kirpalani

Email: rkirp@sas.upenn.edu

Office Hours: Mondays 10:30-11:30 am and by appointment. My office is PCPE 633

Teaching Assistant: The TA for the course is Ji Hwan Kim . He will have office hours on Tuesdays from 3-5 pm in PSCPSE 208.

Course Website: Course information is available in Canvas. Canvas is the official channel I will use to make announcements, post slides, problem sets, exercises, and relevant papers for you to read.

Course Description and Prerequisites

This is a one-semester course in international finance and open economy macroeconomics. In this course, we will develop a set of theoretical tools to model an economy open to trade in goods and assets. We will cover determination of the balance of payments and the current account, real and nominal exchange rates, sovereign debt crises, and currency unions. The main goal for the course is to be able to use the tools developed in class to analyze current events and understand topical macroeconomic policy issues such as current account deficits and global imbalances, sovereign debt crises, and the recent financial crisis. The prerequisites for the course are

- ECON 101 and 102. Intermediate Micro and Intermediate Macro
- Math 104. Calculus 1
- MATH 114 or Math 115. Calculus 2

Course Material

The main references for the course is the textbook “International Macroeconomics” by Stephanie Schmitt-Grohe, Martin Uribe and Michael Woodford (referred to as SGUW below) and selected papers from the academic literature. In addition, I will teach from slides and notes and will post those on Canvas as well.

Tentative Course Outline and References

1. Global Imbalances and Current Account

- SGUW Chapters 1-5, 7
- Gourinchas, Pierre-Olivier, and Olivier Jeanne. "The elusive gains from international financial integration." *The Review of Economic Studies* 73, no. 3 (2006): 715-741.
- Gourinchas, Pierre-Olivier, and Olivier Jeanne. "Capital flows to developing countries: The allocation puzzle." *The Review of Economic Studies* 80, no. 4 (2013): 1484-1515.
- Atkeson, A., Heathcote, J. and Perri, F., 2022. The end of privilege: A reexamination of the net foreign asset position of the United States (No. w29771). National Bureau of Economic Research

2. Uncertainty and the Current Account, Risk-Sharing

- SGUW Chapter 6
- Gourinchas, Pierre-Olivier, Hélène Rey, and Nicolas Govillot. Exorbitant privilege and exorbitant duty. No. 10-E-20. Institute for Monetary and Economic Studies, Bank of Japan, 2010.

3. Current Accounts and Fiscal Deficits

- SGUW Chapter 7
- Bernanke, Ben. The global saving glut and the US current account deficit. No. 77. Board of Governors of the Federal Reserve System (US), 2005.

4. Capital Market Integration

- SGUW Chapters 8
- Obstfeld, Maurice. "The global capital market: benefactor or menace?." *Journal of Economic Perspectives* 12.4 (1998): 9-30.

5. Real Exchange Rates

- SGUW Chapters 9-10
- Rogoff, Kenneth. "The purchasing power parity puzzle." *Journal of Economic Literature* 34.2 (1996): 647-668.

6. External Debt and Sovereign Default

- SGUW Chapter 12
- Eaton, Jonathan, and Mark Gersovitz. "Debt with potential repudiation: Theoretical and empirical analysis." *The Review of Economic Studies* (1981): 289-309.
- Cole, Harold L., and Timothy J. Kehoe. "A self-fulfilling model of Mexico's 1994–1995 debt crisis." *Journal of International Economics* 41.3 (1996): 309-330

Course Evaluation

Your grade will be based on

- Problem Sets (4 in total), **each** worth 10% of your grade
- Two in-class exams, **each** worth 20% of your grade
- One take-home exam worth 20% of your grade

Schedule for in-class exams

- Exam 1: Either 02/13 or 02/15
- Exam 2: 03/27 or 03/29

The take-home exam will be assigned on 04/26 and due on 04/28

We will make every effort to have the midterms and problem sets graded and handed back in one week. If you have any concern with the grade, you have one week to return your test with a written explanation of why you think the grade is incorrect. After that week, grades cannot be modified.

Course Policies

The Department of Economics maintains a common set of policies that apply to all classes. Taking this class you agree to abide by these policies. You are encouraged to read these policies carefully. Full details can be found here: <http://economics.sas.upenn.edu/undergraduate-program/course-information/guidelines/policies>