

# Economics 280B

## Spring 2012 Reading List

Updated: 1/15/2012

### Maurice Obstfeld

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

### Textbooks

The main required text for the course is:

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

Three additional books you may wish to consult are:

Martin D. D. Evans, *Exchange-Rate Dynamics* (Princeton University Press, 2011).

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

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

### Topics and Additional Readings

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

#### **1. Intertemporal Trade and the Current Account: Basics**

Obstfeld-Rogoff, chapters 1-3.

Blanchard, Olivier J. "Debts, Deficits, and Finite Horizons," *Journal of Political Economy*, April 1985.

Chinn, Menzie and Eswar Prasad. "Medium-term Determinants of Current Accounts in Industrial and Developing Countries: An Empirical Exploration," *Journal of International Economics*, January 2003. At:

<http://www.sciencedirect.com/science/article/pii/S0022199602000892>

Engel, Charles, and John Rogers. "The US Current Account Deficit and the Expected Share of World Output," *Journal of Monetary Economics*, 2006. At: <http://www.ssc.wisc.edu/~cengel/PublishedPapers/CarnegieRochesterCAcct.pdf>

Gruber, Joseph and Steven Kamin. "Explaining the Global Pattern of Current Account Imbalances." *Journal of International Money and Finance*, June 2007. At: <http://www.sciencedirect.com/science/article/pii/S0261560607000241>

## **2. More on International Capital Markets and Capital Flows**

Alfaro, Laura, Sebnem Kalemli-Ozcan, and Vadym Volosovych. "Sovereigns, Upstream Capital Flows, and Global Imbalances," mimeo, August 2011. At: [http://www.uh.edu/~skalemli/puzzles\\_aug31\\_2011.pdf](http://www.uh.edu/~skalemli/puzzles_aug31_2011.pdf)

Barro, Robert and Xavier Sala-i-Martin. "World Real Interest Rates," *NBER Macroeconomics Annual 1990*, MIT Press, 1991.

Bernanke, Ben S. "The Global Saving Glut and the U.S. Current Account Deficit." Sandridge Lecture, Virginia Association of Economists, Richmond, Virginia, 2005. At: <http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/>

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

Caselli, Francesco and James Feyrer. "The Marginal Product of Capital," *Quarterly Journal of Economics*, May 2007. At: <http://personal.lse.ac.uk/casellif/papers/MPK.pdf>

Feldstein, Martin and Charles Horioka. "Domestic Saving and International Capital Flows," *Economic Journal*, June 1980.

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

Gourinchas, Pierre-Olivier, and Olivier D. Jeanne. "The Elusive Gains from International Financial Integration," *Review of Economic Studies*, July 2006.

Gourinchas, Pierre-Olivier and Olivier Jeanne. "Capital Flows to Developing Countries: The Allocation Puzzle, UCB mimeo, October 2011. At: [http://socrates.berkeley.edu/~pog/academic/allocation\\_october11.pdf](http://socrates.berkeley.edu/~pog/academic/allocation_october11.pdf)

Lane, Philip and Gian Maria Milesi-Ferretti. "Long-Term Capital Movements," *NBER Macroeconomics Annual 2001*, MIT Press, 2002.

Lucas, Robert E., Jr. "Why Doesn't Capital Flow from Rich to Poor Countries?" *American Economic Review*, May 1990.

Obstfeld, Maurice. "Capital Mobility in the World Economy: Theory and Measurement," *Carnegie-Rochester Conference Series in Public Policy*, vol. 24, 1986. At: <http://www.sciencedirect.com/science/article/pii/0167223186900059>

Obstfeld, Maurice. "External Adjustment," *Review of World Economics*, 2004. At: <http://elsa.berkeley.edu/~obstfeld/Obstfeld1.pdf>

Obstfeld, Maurice. "International Finance and Growth in Developing Countries: What Have We Learned?" *IMF Staff Papers*, April 2009. At: <http://www.palgrave-journals.com/imfsp/journal/v56/n1/pdf/imfsp200832a.pdf>

Prasad, Eswar, Raghuram Rajan, and Arvind Subramanian, "Foreign Capital and Economic Growth," *Brookings Papers on Economic Activity*, 1:2007.

### **3. Real Exchange Rates, International Risk Sharing, and Business Cycles**

Obstfeld-Rogoff, chapter 4-5.

Aguiar, Mark and Gita Gopinath. "Emerging Market Business Cycles: The Cycle is the Trend," *Journal of Political Economy*, February 2007. At: <http://dx.doi.org/10.1086/511293>.

Backus, David, Patrick Kehoe, and Finn Kydland. "International Real Business Cycles," *Journal of Political Economy*, August 1992.

Backus, David and Gregor Smith. "Consumption and Real Exchange Rates in Dynamic Economies with Nontraded Goods," *Journal of International Economics*, November 1993.

Corsetti, Giancarlo, Luca Dedola, and Sylvain Leduc. "International Risk Sharing and the Transmission of Productivity Shocks," *Review of Economic Studies*, 2008. At: <http://www.eui.eu/Personal/corsetti/research/codele.pdf>

Kollmann, Robert. "Consumption, Real Exchange Rates, and the Structure of International Asset Markets.," *Journal of International Money and Finance*, April 1995.

Lane, Philip and Gian Maria Milesi-Ferretti. "The Transfer Problem Revisited: Net Foreign Assets and Real Exchange Rates," *Review of Economics and Statistics*, November 2004. At: <http://people.ucsc.edu/~hutch/Econ241a/Articles/Lane-Milesi-Ferretti.pdf>

Lewis, Karen K. "What Can Explain the Apparent Lack of Consumption Risk Sharing?" *Journal of Political Economy*, April 1996.

Schmitt-Grohé, Stephanie and Martín Uribe. "Closing Small Open Economy Models," *Journal of International Economics*, 2003. At: [http://public.econ.duke.edu/~grohe/research/closing\\_jie.pdf](http://public.econ.duke.edu/~grohe/research/closing_jie.pdf)

Stockman, Alan and Linda Tesar. "Tastes and Technology in a Two-Country Model of the Business Cycle," *American Economic Review*, March 1995.

Taylor, Alan M. and Mark P. Taylor. "The Purchasing Power Parity Debate," *Journal of Economic Perspectives*, Fall 2004. At: [http://www.ssc.wisc.edu/~mchinn/taylor&taylor\\_PPP\\_JEP.pdf](http://www.ssc.wisc.edu/~mchinn/taylor&taylor_PPP_JEP.pdf)

Uhlig, Harald. "A Toolkit for Analyzing Nonlinear Dynamic Stochastic Models Easily," Federal Reserve Bank of Minneapolis, 1995. At: <http://www.greatdepressionbook.com/research/DP/DP101.pdf>

#### **4. International Portfolios**

Coeurdacier, Nicolas. "Do Trade Costs in Goods Markets Lead to Home Bias in Equities?" *Journal of International Economics*, February 2009.

Coeurdacier, Nicolas and Pierre-Olivier Gourinchas. "When Bonds Matter: Home Bias in Goods and Assets," UCB mimeo, October 2011. At: [http://socrates.berkeley.edu/~pog/academic/bonds\\_cg11.pdf](http://socrates.berkeley.edu/~pog/academic/bonds_cg11.pdf)

Coeurdacier, Nicolas, Robert Kollmann, and Philippe Martin. "International Portfolios, Capital Accumulation, and Foreign Assets Dynamics," *Journal of International Economics*, 2010. At: [http://robertkollmann.com/KOLLMANN\\_PUBL\\_COEURDACIER\\_MARTIN\\_JIE\\_2010.pdf](http://robertkollmann.com/KOLLMANN_PUBL_COEURDACIER_MARTIN_JIE_2010.pdf)

Devereux, Michael B. and Alan Sutherland. "Country Portfolios in Open Economy Macro Models," *Journal of the European Economic Association*, April 2011. At: <http://onlinelibrary.wiley.com/doi/10.1111/j.1542-4774.2010.01010.x/full>

Kraay, Aart and Jaime Ventura. "Current Accounts in Debtor and Creditor Countries," *Quarterly Journal of Economics*, November 2000.

Lucas, Robert E., Jr. "Interest Rates and Currency Prices in a Two-Country World," *Journal of Monetary Economics*, July 1982.

Obstfeld, Maurice. "Risk-Taking, Global Diversification, and Growth," *American Economic Review*, December 1994.

Obstfeld, Maurice. "International Risk Sharing and the Costs of Trade," Ohlin Lectures, May 2007. At: [http://elsa.berkeley.edu/~obstfeld/Ohlin\\_show.pdf](http://elsa.berkeley.edu/~obstfeld/Ohlin_show.pdf)

Rey, H el ene and Philippe Martin. "Financial Supermarkets: Size Matters for Asset Trade," *Journal of International Economics* , December 2004.

Tille, Cedric and Eric van Wincoop. "International Capital Flows," *Journal of International Economics*, March 2010.

Van Wincoop, Eric and Francis E. Warnock. "Is Home Bias in Assets Related to Home Bias in Goods?" *Journal of International Money and Finance*, 2010.

## **5. Sovereign Debt and Limited Enforcement**

Obstfeld-Rogoff, chapter 6.

Arellano, Cristina, "Default Risk, the Real Exchange Rate, and Income Fluctuations in Emerging Economies," *American Economic Review*, June 2008.

Bai, Yan and Jing Zhang. "Solving the Feldstein-Horioka Puzzle with Financial Frictions," *Econometrica*, April 2010.

Bulow, Jeremy and Kenneth Rogoff. "The Buyback Boondoggle," *Brookings Papers on Economic Activity*, 2:1988.

Eaton, Jonathan and Raquel Fernandez, "Sovereign Debt," in Gene Grossman and Kenneth Rogoff, eds., *Handbook of International Economics*, volume 3, 1995. At: <http://www.sciencedirect.com/science/article/pii/S157344040580019X>

Kehoe, Patrick and Fabrizio Perri. "International Business Cycles with Endogenous Incomplete Markets," *Econometrica*, May 2002.

Reinhart, Carmen, Kenneth Rogoff, and Miguel Savastano. "Debt Intolerance," *Brookings Papers on Economic Activity*, 1:2003.

Yue, Vivian. "Sovereign Default and Debt Renegotiation," *Journal of International Economics* , March 2010.

## **6. Sudden Stops and Crises**

Allen, Franklin and Douglas Gale. *Understanding Financial Crises*, Oxford University Press, 2007.

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

Calvo, Guillermo A. "Capital Flows and Capital-Market Crises: The Simple Economics of Sudden Stops," *Journal of Applied Economics*, November 1998. At: <http://drum.lib.umd.edu/bitstream/1903/4261/1/ciecopp5.pdf>

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

Calvo, Guillermo A. and Carmen M. Reinhart. "When Capital Inflows Suddenly Stop: Consequences and Policy Options," in Peter B. Kenen and Alexander K. Swoboda, eds., *Reforming the International Monetary and Financial System*, International Monetary Fund, 2000. At: [http://mpra.ub.uni-muenchen.de/6982/1/MPRA\\_paper\\_6982.pdf](http://mpra.ub.uni-muenchen.de/6982/1/MPRA_paper_6982.pdf)

Díaz-Alejandro, Carlos. F. "Good-Bye Financial Repression, Hello Financial Crash," *Journal of Development Economics*, September/October 1985. At: <http://www.econ.uchile.cl/uploads/documento/27d99b44b4a2c5d46679ee694d81b18a2289a728.pdf>

Gourinchas, Pierre-Olivier and Maurice Obstfeld. "Stories of the Twentieth Century for the Twenty-First," *American Economic Journal: Macroeconomics*, January 2012. At: <http://www.aeaweb.org/articles.php?doi=10.1257/mac.4.1.226>

Korinek, Anton. "The New Economics of Prudential Capital Controls," *IMF Economic Review*, August 2011. At: <http://www.palgrave-journals.com/imfer/journal/v59/n3/pdf/imfer201119a.pdf>

Krugman, Paul R. "A Model of Balance-of-Payments Crises," *Journal of Money, Credit and Banking*, August 1979.

Mendoza, Enrique. "Sudden Stops, Financial Crises, and Leverage," *American Economic Review*, December 2010.

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

Obstfeld, Maurice, "The Logic of Currency Crises," *Cahiers Économiques et Monétaires*, 1994. At: [http://elsa.berkeley.edu/~obstfeld/ftp/currency\\_crises/cc.html](http://elsa.berkeley.edu/~obstfeld/ftp/currency_crises/cc.html)

Obstfeld, Maurice. "Financial Flows, Financial Crises, and Global Imbalances," *Journal of International Money and Finance*, 2012. At: <http://www.sciencedirect.com/science/article/pii/S0261560611001458>

Rajan, Raghuram R., and Ioannis Tokatlidis. "Dollar Shortages and Crises," *International Journal of Central Banking*, September 2005. At: <http://www.ijcb.org/journal/ijcb05q3a5.pdf>