

Study Guide
for International Macroeconomics, Bergin, 2017

- 1) Problems: Know how to solve dynamic programming problems as done in homework assignments, for open economies with various configurations of goods, assets, and preferences. Know how to solve for optimal current account in simple cases; how to find and interpret first order conditions in more complicated cases.
- 2) Know the fundamental theories of international macroeconomics:
 - Purchasing power parity and its various forms.
 - Interest rate parity and its various forms.
 - Monetary approach to the exchange rate.
 - Balassa-Samuelson theory
 - Intertemporal approach to the current account
- 3) Main puzzles in the literature: know what they are, why they are puzzles, and how the literature has tried to explain them:
 - International consumption correlation puzzle.
 - International output comovement
 - Relative price puzzle/ real exchange rate volatility puzzle
 - Exchange rate disconnect puzzle / Meese-Rogoff puzzle
 - Backus-Smith / consumption-real exchange rate puzzle
 - Failure of uncovered interest rate parity/forward premium puzzle
 - Current account volatility puzzle
- 4) Discuss how various model features have been useful in international macro:
 - Complete asset markets
 - Nontraded goods
 - Sticky prices: either in currency of the consumer and producer
 - Financial frictions
 - Habits in preferences or durable goods
- 5) Know main findings regarding optimal monetary policies and choice between fixed v. flexible exchange rate regimes, and what features of the economy are important for deciding this.
- 6) Key papers (those assigned as readings for the day): know the question addressed, their relationship to the literature, the basic methodology, distinctive features of the model, and main result.
 - Hoffmann, 2013
 - Backus, Kehoe and Kydland, 1992
 - Engel and Wang, 2011
 - Heathcote and Perri, 2013
 - Berka, Devereux and Engel, 2015
 - Lahiri and Johri, 2008
 - Devereux and Engel, 2003.
 - Perri and Quadrini, 2016