

Economics 762: Integrating International Macroeconomics and Financial Crises

Cornell University

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Course Outline

- (i) The 2007-2009 Global Crisis: Historical View**

The Great Depression vs. the Current Crisis ([ppt july 2009](#))

- (ii) Currency Crises and Financial Crises**

First-Generation Currency Crises [Fixed Exchange Rate With and Without Interest Parity](#),

Currency Crises Models with Endogenous central bank policies

Unique equilibrium? Game Theory, Banking/Debt Crises (ppt), notes: [1](#), [2](#), [3](#), [4](#), [6](#), [7](#), [8](#)

Balance-Sheet Crises Models

The balance-sheet effect in financial crisis,

Balance sheet effect in a closed economy

Evaluation of Exchange Rate Regimes in the presence of Liquidity Crises (Econ Policy, currency pegs 2007)(pdf) ([word](#)) Exchange-Rate Regimes ([pdf](#))

Financial crises and global imbalances

([link 1](#)) ([link 2](#)) ([link 3](#))

Financial Institutions and Crises

([link 1](#)) ([link 2](#))

Collective Moral Hazard

([link](#))

Informational Cascades and Rational Bubbles ([link](#), [Housing Bubble](#))

Bank Runs and Capital Flows: Flight for Quality

([link](#), [slides](#)) **Bank Runs, Capital Flow Reversals, Credit-Rating Crunches (Figure)** Slides ([pdf](#), [tex](#), [slides](#))

(iii) Textbook Neo-Classical Open-economy Macroeconomics

1. Inflation

Inflation and Money Growth, seigniorage,

2 Exchange Rates

[Flexible Exchange Rate,](#)

(iv) The Mundell-Fleming Model

Slides: [The Mundell-Fleming Model](#)

(v) The New-Keynesian Macroeconomics

[The Flexible Price Benchmark](#)

[Aggregate Supply under Price Rigidity](#)

[Equilibrium under Flexible and Rigid Prices](#)

[Utility-based loss function \(Preliminaries\)](#)

[Utility-Based loss function: Globalization](#)

[Log linearization](#)

[Krugman on liquidity trap](#)

[Liquidity trap](#)

[The Liquidity Trap and Expectations, more](#)

[Fiscal Policy under liquidity trap \(link\)](#)

General Equilibrium and Interest Rule ([doc](#))

Naive vs. Quadratic LQ optimization ([doc](#))

Linear Quadratic Approximation ([pdf](#))

Homeworks: [1](#), [2](#), [3](#)

Globalization and inflation ([Slides](#), [pdf](#), [word](#))

Jordi Gali's notes([1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#))

(vi) The Dynamics of the current- and capital-account of the balance of payments

(a) Consumption-Smoothing current account balance Dynamics ([PPT](#))

(b) [Dynamics of Savings in a small open economy](#),

(c) [Current Account Stochastic Dynamics](#),

(d) [Portfolio View](#) of Capital Flows ([slides](#))

(VII) Home works

Basics: [1](#), [2](#), [3](#); New Keynesian Macro: Homeworks: [1](#), [2](#), [3](#), 4 ([word](#)), 5 ([word](#)), 6 ([word](#)), 7 ([word](#)); and More Home works.

Required Books:

Foundations of International Macroeconomics by Maurice Obstfeld, Kenneth S. Rogoff

ISBN: 9780262150477

Interest and Prices: Foundations of a Theory of Monetary Policy by Michael Woodford

ISBN: 9780691010496

Foreign Direct Investment: Analysis of Aggregate Flows by Assaf Razin, Efraim Sadka

ISBN: 9780691127064

Optional Books:

Fiscal Policies and Growth in the World Economy - 3rd Edition by Jacob A. Frenkel, Assaf Razin, with the cooperation of C. Yuen

ISBN: 9780262561044

