International Finance
Second Part: Business-Cycle Phenomena in Open Economies

http://www.econ.iastate.edu/classes/econ657/oviedo
Class location: Heady 272
Class time: T and TH, 2:10 - 3:30 PM
Office hours: by appointment

Course Description:
This is the second part of the graduate course in International Finance and focuses on business-cycle phenomena in open economies from the perspective of dynamic general equilibrium theory. This part starts with a review of the dynamic general equilibrium approach to study macroeconomics and with a discussion of the empirical evidence on some of the business-cycle phenomena to be studied in the rest of the course. Next, the discussion focuses on workhorse models of business-cycle research and some numerical solution techniques that have been used to solve these models. The rest of the course concentrates on the following topics: exchange rates and stabilization policies; financial frictions; sudden-stops; domestic intermediation of capital inflows; fiscal sustainability; sovereign debt and sovereign default.

Requirements:
The final grade for Econ 657 will be computed weighting equally the final grades in this and professor Singh’s part of the course. Requirements for this part follow:

1. Assignment (30% of the final grade). An assignment which is going to be given out during the first week of classes is due on April 28 at 5 PM. The assignment requires computational work, so students are encouraged to review the material taught in Econ 509, specially the mimeos designed to get users familiarized with basic Matlab commands. If time allows, students will be asked to present the results of their assignment to the rest of the class by the end of the semester.

2. Class participation (30% of the final grade). Students are expected to participate in class discussions and to be knowledgeable of the topics that will be covered in each lecture. The instructor will ask questions to the students about the papers to be discussed in class according to the course readings detailed below and students should be prepared to introduce those papers to the rest of the class.

3. Comprehensive final exam (40% of the final grade). Final exam date and time are Monday, May 4, from 7:30 to 9:30 PM. The exam tests the understanding of any class material covered during the six weeks of classes.
Optional Reference texts:


Course Outline and Readings:

Starred readings are required.

1. Business Cycle Phenomena in Open Economies: Stylized Facts


   Kaminsky, G, C. Reinhart, and C. Véh (2004): “When it Rains, it Pours: Procycli-


3. Exchange Rates and Stabilization Policies


4. Financial Frictions, Sudden-Stops, and Domestic Intermediation of Capital Inflows


5. Fiscal Sustainability, Sovereign Debt and Sovereign Default


