International Finance
Second Part: Business Cycles in Open Economies

http://www.econ.iastate.edu/classes/econ657/oviedo
Class location: Heady 272  Class time: T and TH, 2:10 - 3:25 PM
Office hours: by appointment

Course Description:
This is the second part of the graduate course in International Finance and it focuses on business cycles in small open economies. The course will start with a discussion of the relevant issues of business cycles in small open economies (SOEs) to serve as the motivation for the material covered in the rest of the course. Next, the discussion will focus on the workhorse model of the business-cycle research and some numerical solution techniques. The rest of the course will concentrate on the following topics: exchange rates and stabilization policies; financial frictions; sudden-stops; domestic intermediation of capital inflows; fiscal sustainability; and sovereign default.

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

1. Weekly tests (40% of the final grade). There will be a short test (15 to 20 minutes long) every week covering the material discussed in the week preceding each test.

2. Assignments (30% of the final grade). There will be two problem sets which will require computational work. It is highly recommended to spend some time getting familiarized with basic Matlab commands. You may find helpful to read some of the Matlab primers indicated in the course web site.

3. Comprehensive final exam (30% of the final grade). The final exam date and time are Friday, May 7, from 9:45 to 11:45 AM
Optional Reference texts:

Course Outline and Readings:
Starred readings are required.

1. Business cycles in SOEs: stylized facts

   * Calvo, G. and C. Végh (1999): “Inflation Stabilization and BOP Crises in Developing Countries”, *NBER working paper* 6925, (February).
2. Business cycles in SOEs: the workhorse model and solution techniques.


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


