New Open Economy Macroeconomics: 
Theory and Empirics

Organization

Instructor: Prof. Yu-chin Chen
Dates:
  June 15th, 10:15 to 11:45 a.m. and 1:15 to 2:45 p.m.
  June 16th, 10:15 to 11:45 a.m. and 1:15 to 2:45 p.m.
  June 17th, 09:15 to 11:30 a.m. and 1:00 to 1:45 p.m.
Room: ZUE G1 (Zuerichbergstrasse 18, 8032 Zurich)
E-mail: yuchin@u.washington.edu
Course webpage: http://depts.washington.edu/oemacro/NOEM

Course Objective

This course provides a short overview of recent development in the “New Open Economy Macro” (NOEM) literature. This growing body of literature departs from the traditional reduced-form Mundell-Fleming models and addresses open economy issues using dynamic general equilibrium models with nominal rigidities and market imperfections. The micro-foundations explicit in these models provide justifications for the Keynesian assumption of short-run demand determined output and allow more rigorous analysis of the welfare implications of policy actions.

This course starts with a brief survey of representative models developed since the pioneering work of Obstfeld and Rogoff (1995). We will then consider their applications to open economy policy issues, and discuss recent empirical contributions in the area.

The course is intended for Economics Ph.D. students with prior exposure to graduate level macroeconomics. Results from selected papers in the reading list below will be discussed.

Course Schedule and Reading List:

I. Overview of NOEM and its Basic Elements


II. Stabilization and Policy Analysis

• Duarte, Margarida, and Maurice Obstfeld, "Monetary Policy in the Open Economy Revisited: The Case for Exchange-Rate Flexibility Restored," manuscript, October 2004.

III. Empirics: From NOEM to Empirical DSGE