

NEW ECONOMIC SCHOOL

INTERNATIONAL MACROECONOMICS

Professor Michael W. Klein

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These three lectures present an overview of empirical analyses of three central topics in International Macroeconomics: exchange rate and capital control regimes; the policy trilemma and the constraints on monetary policy; and the determinants of trade in goods and services.

The readings for this course include chapters from *Exchange Rate Regimes in the Modern Era*, Michael W. Klein and Jay Shambaugh, MIT Press, 2010. (Referred to as *ERRME* in the syllabus). Articles listed in the syllabus will be posted on an accessible website. The posts from *EconoFact* are available on its website, econofact.org.

Course Topics

I. The International Monetary System

A Brief History of the International Monetary System
Capital Flow Management Policies
Exchange Rate Regimes
Dynamics of Exchange Rate Regimes
Optimum Currency Areas and the Euro

II. The Policy Trilemma

Interest Parity
Covered Interest Parity, Uncovered Interest Parity and the Carry Trade
Economic Applications of the Interest Parity Equation
Credibility of a Fixed Exchange Rate Regime
The Policy Trilemma
Empirical Evidence on the Policy Trilemma
Exchange Rate Pegs, Credibility and Inflation

III. Exchange Rates and International Trade

Exchange Rates and Prices
The Real Exchange Rate
Multilateral Exchange Rate
The Real Exchange Rate and Trade
The Real Exchange Rate and Traded and Non-Traded Goods
The Gravity Equation
Bilateral Trade Statistics and International Supply Chains

Readings

I. The International Monetary System

Michael W. Klein, “Capital Mobility and Exchange Rate Regimes,” *Handbook of Safeguarding Global Financial Stability*, Chapter 63.

Hali Edison, Michael W. Klein, Luca Ricci and Torsten Slok, “Capital Account Liberalization and Economic Performance: Survey and Synthesis,” *IMF Staff Papers*, 51(2), Aug. 2004, pp. 220 - 256.

II. The Policy Trilemma

Michael W. Klein and Jay C. Shambaugh, “Rounding the Corners of the Policy Trilemma,” *American Economic Journal: Macroeconomics*, 7(4), October 2015, pp. 33 – 66.

III. Exchange Rates and International Trade

[**EconoFact: Is China a Currency Manipulator?**](#) Michael W. Klein, January 20, 2017.

[**EconoFact: What Do We Learn from Bilateral Trade Deficits?**](#) Marc Melitz and Michael Klein, May 25, 2017

[**EconoFact: Is China Weakening the Yuan to Fight U.S. Tariffs?**](#) Michael Klein, August 7, 2018.

Michael W. Klein and Jay C. Shambaugh, “Fixed Exchange Rates and Trade,” *Journal of International Economics*, volume 70, issue 2, December 2006, pp. 359 – 383.