Harvard Kennedy School, Sept. 1 + Nov. 5, 2021

**API-119: Advanced Macroeconomics for the Open Economy I, Fall 2021**

## Course Syllabus: prospectus, schedule and readings

**Staff: Professor: Jeffrey Frankel** Jeffrey\_Frankel@harvard.edu

Faculty Assistant: Minoo Ghoreishi Minoo\_Ghoreishi@hks.harvard.edu

Teaching Fellow: Can Soylu

Course Assistants: Maria Fayos Herrera, Saurabh Pratap Singh,

Xiaocun Qiu, and Octavio Zunino   
  
Email address to send all questions for the teaching team: [mpaid.macro@gmail.com](mailto:mpaid.macro@gmail.com).  
 **Times:** Lectures: Tuesdays and Thursdays, 1:30-2:45 p.m.[[1]](#footnote-1)  (WEX 436)  
Review Sessions: Tuesdays, 3:00-4:15 p.m. (before problem set due dates)   
 Fridays,10:30-11:45 and 12:00-1:15.[[2]](#footnote-2)  (R 304).  
Final exam: Friday, Dec. 10.

**Prospectus**

**Course Description**: API-119 is the first in the two-course sequence on Macroeconomic Policy in the MPA/ID program. It particularly emphasizes the international dimension. The general perspective is that of developing countries and other small open economies, defined as those for whom world income, world inflation and world interest rates can be taken as given, and possibly the terms of trade as well. The focus is on monetary, fiscal, and exchange rate policy, and on the determination of the current account balance, national income, and inflation. Models of devaluation include one that focuses on the price of internationally traded goods relative to non-traded goods. A theme is the implications of increased integration of global financial markets. Another is countries’ choice of monetary regime, particularly the degree of exchange rate flexibility. Applications include Emerging Market crises and problems of commodity-exporting countries. (Some financial topics, including exchange rate overshooting, speculative attacks, portfolio diversification and debt crises will be covered in the first half of Macro II, API-120, in February-March.)

**Nature of the approach**:The course is largely built around analytical models. Although real-world examples will appear throughout, we will rely heavily on theoretical and econometric analysis, as is customary in economics classes. Having said that, the course largely leaves to the successor course, API 120, the mathematical derivation of behavioral equations from first principles of individuals’ optimization of intertemporal utility.

**Who is expected to take the course**: This course, like Advanced Macroeconomics for the Open Economy II (API 120), is a required component of the core sequence in the MPA in International Development program. It is envisioned that some students might one day be making policy recommendations or decisions in a central bank or economics ministry or an international financial institution, but first need training at a high level of intellectual rigor. Many other students are less macro-oriented, and just want to be able better to read the *Economist* or *Financial Times* and understand what is going on. In addition to MPA/IDs, a very few other students are sometimes admitted by permission of instructor – e.g., someone who has taken BGP-620 and done well in it, and who in addition is comfortable with calculus and the other mathematical tools that distinguish the MPA/ID curriculum.

**Required tools**: Besides basic macroeconomics, some knowledge of basic microeconomics is presumed. Analytical tools to be used include especially calculus.   
  
 **Weekly structure of the course:**   
  
 A standard week will consist of two units. Each unit will consist of:  
(i) a required reading (plus other recommended readings, including applications from the press),

(ii) the live lecture from the Professor,

(iii) an asynchronous component, which includes one or more mini-Lectures recorded by the professor plus short quizzes on all the material for that unit.

Before each live lecture, you should complete the required reading for the new unit. In addition, you ideally will have also completed the asynchronous module for the preceding lecture.

Most weeks will also include:

1. A Tuesday review session conducted by the Teaching Fellow (TF), concentrating on material relevant for that week’s problem set;
2. the problem set itself, due Friday, 8:30 a.m.; and
3. the TF’s regular Friday review sessions, reviewing the week’s material.

Attending at least one of the review sessions is strongly recommended; students are encouraged to attend both the midweek and Friday sessions.

The entire teaching team will also hold office hours. Students should make heavy use of [mpaid.macro@gmail.com](mailto:mpaid.macro@gmail.com), sending any and all questions to it. The teaching team will monitor it frequently. The response to a student’s question may be a directly e-mailed answer, a decision to dedicate somebody’s office hours to the topic in question, or the arrangement of a special bilateral appointment.

**Grading**: 25%: 9 Problem sets  
 15%: Quizzes (in asynchronous modules, covering entire half-week unit)  
 20%: Mid-term exam  
 35%: Final exam   
 5%: Class participation.

### Problem Set Due date (8:30 am). No late problem sets.

1. Fri., Sept.10
2. Fri., Sept.17
3. Fri., Sept.24
4. Fri., Oct. 1
5. Fri., Oct. 8   
   [*Midterm exam: Thurs., Oct. 14* ]
6. Fri., Oct.29
7. Fri., Nov. 5
8. Fri., Nov. 12
9. Fri., Nov. 19   
     
    *Final exam: Fri., Dec. 10, 9:00 a.m.-12:00 noon.*

Please check the dates of the midterm and final exams. If you cannot take the exams on these dates, do not take the course.

Students must take quizzes and exams alone, without discussion with other students. Students are responsible for knowing what is in [the Academic Code](https://www.hks.harvard.edu/educational-programs/academic-calendars-policies/student-handbook/general-regulations-and-1), including this paragraph:   
*“Cheating on assignments or exams, plagiarizing or misrepresenting the ideas or language of someone else as one’s own, falsifying data, or any other instance of academic dishonesty violates the standards of our community, as well as the standards of the wider world of learning and affairs…If students submit work either not their own or without clear attribution to the original source, including but not limited to the Internet, they will be subject to discipline by the HKS Administrative Board, ranging from a warning to required withdrawal or expulsion from HKS.”*

**Readings:**

For each lecture, there is a double-starred or triple-starred reading that students are required to read *in advance of the lecture*. You may be called upon in lecture. The second half of this syllabus lists the readings in full. Readings are either scholarly articles, short news media stories, or textbook chapters.

**Required textbooks:** The main textbook is the second half of *World Trade and Payments*, R. Caves, J. Frankel, & R. Jones (10th edition, Addison-Wesley Longman, 2007), which is abbreviated *WTP* on the reading list. Chapters are available online at the Canvas course page and also [on my Publications page](https://scholar.harvard.edu/frankel/world-trade-payments-text-10th-ed).

The reading list also includes excerpts from Filipe Campante, Federico Sturzenegger and Andres Velasco, *An Easy Guide to Advanced Macroeconomics*, 2021 (still “forthcoming,” as of September, [LSE Press](https://press.lse.ac.uk/site/catalogue/#advanced-macroeconomics)). The second half of API-120 in the spring will use this text extensively. The manuscript will be available online at the Canvas course page.

**Textbooks for further background**: Most students will have already studied basic or intermediate macroeconomics. The necessary pre-requisite background in macroeconomics at a basic level is represented by Greg Mankiw, *Macroeconomics*, e.g., 10th ed., 2019. At a considerably more advanced level than *WTP*, the recommended text is Maurice Obstfeld and Kenneth Rogoff, [*Foundations of International Economics*](https://mitpress.mit.edu/books/foundations-international-macroeconomics) (MIT Press, 1996); or [Carlos Végh](https://mitpress.mit.edu/contributors/carlos-vegh), [*Open Economy Macroeconomics in Developing Countries*](https://ideas.repec.org/b/mtp/titles/026201890x.html) (MIT Press, 2013). For money and inflation, in particular, consult “Monetary Policy,” Chapter 12, of David Romer’s *Advanced Macroeconomics,* 5th ed., (McGraw Hill, 2019).

**News stories:** The reading list also includes media reports that serve as real-world applications for what you learn, particularly in *The Economist* and *Financial Times*. Their websites typically offer a few free downloads per month. But HKS and the Harvard Library subscribe and offer students access to a wide array of searchable news articles. Students can access these publications by establishing an account via Harvard Library catalogue [here](https://guides.library.harvard.edu/hks/news/indpub).

[*Economist (Harvard Login)*](https://hvd.userservices.exlibrisgroup.com/view/action/uresolver.do;jsessionid=CFEEF2AF5299D112B2C49F87668DFCBC.app03.na03.prod.alma.dc04.hosted.exlibrisgroup.com:1801?operation=resolveService&package_service_id=30914496680003941&institutionId=3941&customerId=3940) -- Click on the link for full access to issues of *The Economist*. Disregard prompts to register or subscribe. You can also get articles in [ABI/Inform](https://search-proquest-com.ezp-prod1.hul.harvard.edu/publication/41716?OpenUrlRefId=info:xri/sid:primo&accountid=11311).

[*Financial Times* (Harvard Login)](https://join.ft.com/4bf20e6b-88c9-4c7e-a2bc-3355c0a672ec) -- Register for a special "premium" account for the *FT*.com website by clicking on the link and using your Harvard e-mail address. After the initial registration process, you can use your ID and password to access the FT.com web site directly.  
  
 If you need to re-register, follow the link but then click the Sign In button instead of filling out the registration form. If you have trouble, you can find additional instructions for accessing select resources through the [Knet database](https://knet.hks.harvard.edu/Administration/Library/Lists/eResources/Student%20View.aspx" \l "InplviewHash8cefb337-a8e1-4574-b396-7f45b7e27d79=SortField%3DTitle0-SortDir%3DAsc).

##### API-119: Macroeconomic Policy Analysis I

#### Prof. Jeffrey A. Frankel, Harvard Kennedy School

**Topics and schedule:** Due dates for  
Problem Sets:

**I. REVIEW OF BASIC MACRO CONCEPTS**

1. GDP

(8/31) Lecture 1: GDP accounting

Asynchronous module 1: Measuring potential output.

1. More identities  
   (9/2) Lecture 2: Balance of payments accounting

Asynchronous module 2: (i) National Saving identity, (ii) Consumption & saving.

**II. DEVALUATION AND THE TRADE BALANCE**

1. The elasticities approach to the trade balance  
   (9/7) Lecture 3: The Marshall-Lerner condition  
   Async.mod. 3: Alternate assumptions of goods pricing in open economies
2. The trade balance in practice  
   (9/9) Lecture 4: Empirical evidence on the elasticities

Async.mod. 4: (i) A delayed J-curve, (ii) Overview of models of external balance  
 \_ PS 1 (Marshall-Lerner) due 9/10

**III. THE MUNDELL-FLEMING MODEL**

1. The open-economy Keynesian model  
   (9/14) Lecture 5: The Open-economy Keynesian multipliers  
   Async.mod. 5: Goals (internal & external balance) & instruments
2. Meet the Mundell-Fleming model  
   (9/16) Lecture 6: The Mundell-Fleming model with a fixed exchange rate

Async.mod. 6: The Taylor Rule

\_ PS 2 (Meade-Swan diagram) due 9/17

1. Unconventional Monetary Policies  
   (9/21) Lecture 7: Monetary policy at the Zero Lower Bound  
   Async.mod. 7: The real interest rate in the model.
2. International reserve flows

(9/23) Lecture 8: Reserve flows in the Mundell-Fleming model

Async.mod. 8: The example of China’s attempted sterilization of inflows, 2003-08

\_ PS 3 (Mundell-Fleming with a fixed rate) due 9/24

1. Mundell-Fleming with a floating rate

(9/28) Lecture 9: The model when the exchange rate is flexible.  
Async.mod. 9: The example of Japan’s 2012-15 monetary expansion  
 \_

1. Mundell Fleming with perfect capital mobility   
   (9/30) Lecture 10: The model when the country loses control over its interest rate.   
   Async.mod. 10: The Impossible Trinity.

PS 4 (Mundell-Fleming with expected inflation or float) due 10/1

**IV. INFLATION**

1. AD, AS, and Inflation

(10/5) Lecture 11: Aggregate Demand & Aggregate Supply

Async.mod. 11: (i) Chinese overheating, 2006-08. (ii) The Phillips Curve & the labor market

1. The rational expectations attack on activist monetary policy  
   (10/7) Lecture 12: Rational expectations & dynamic inconsistency

Async.mod. 12: (i) The case against activist policy. (ii) Why might high inflation hurt growth?

\_\_PS 5 (AS derivation) due 10/10

1. How to achieve low-inflation credibility

(10/12) Lecture 13: Addressing dynamic inconsistency of monetary policy   
Async.mod. 13: (i) Rules vs. discretion, (ii) The decline of inflation since the 1980s.

1. (10/14) ***MIDTERM EXAM***
2. Seigniorage and hyperinflation

(10/19) Lecture 15: The theory of seigniorage  
Async.mod. 15 (i) Public borrowing, (ii) Venezuela case, (iii) Can seigniorage explain hyperinflation?

1. Case Study: Internal & external balance in China  
   (10/21) Lecture 16: Macroeconomics in China, 2003-21.   
   Async.mod. 16: (i) The Swan Diagram applied to China, (ii) Macro-prudential policies.

**V. INTEGRATION OF GOODS MARKETS**

1. How well-integrated are goods markets?

(10/26) Lecture 17: (i) Gains from trade. (ii) Does arbitrage enforce PPP?  
Async.mod. 17: Barriers to international integration

1. What explains failures of Purchasing Power Parity?  
   (10/28) Do sticky prices give rise to PPP deviations?  
   Async.mod. 18: The Law of One Price  
    \_\_ PS 6 (Exercise) due 10/29
2. The Balassa-Samuelson relationship  
   (11/2) Lecture 19: The role of non-traded goods.

Async.mod. 19: Case: Was the renminbi “undervalued”?

**VI. SMALL OPEN ECONOMIES**

1. The Salter-Swan SOE model  
   (11/4) Lecture 20: Devaluation in small open economies

Async.mod.20: Adjustment in the Salter-Swan model  
 \_\_ PS 7 (PPP) due 11/5

1. Currency mismatch, balance sheets & contractionary devaluations   
   (11/9) Lecture 21: Contractionary effects of devaluation   
   Async.mod. (21): Did EMEs conquer original sin after 2001?   
     
    *[Nov. 11: Veteran’s Day holiday]*

\_PS 8 (Salter-Swan diagrams) due 11/12

?

1. Introduction to crises in Emerging Market Economies (EMEs)

(11/16) Lecture 22: Sudden stops

Async.mod.22: Managing outflows

1. *EXTRA LECTURE*: The Natural Resource Curse

(11/17 at 4:30-5:45 pm, in W436) Pitfalls of a large primary sector

Async.mod.: Pro-cyclicality

1. The Dutch Disease

(11/18) Lecture 24: Macroeconomic consequences of a natural resource boom

Async.mod.: Governments over-spend in boom times.

\_\_PS 9 (Application) due 11/19

**VII. EXCHANGE RATE REGIMES**

1. Pros and cons of fixed vs. floating exchange rates   
   (11/23) Lecture 25: Advantages of fixing

Async.mod. 25: Advantages of floating

[*11/24-11/28 Thanksgiving holiday*]

1. Which dominate: advantages of fixing or floating?  
   (11/30) Lecture 26: Optimum Currency Areas  
   Async.mod. 26: Real shocks in developing countries
2. More on EM currencies   
   (12/2) Lecture 27: Intermediate exchange rate regimes  
   No asynchronous module

**Friday, Dec. 10, 9:00 a.m.-12:00 noon**. ***FINAL EXAM***

**API-119: Macroeconomic Policy Analysis I**

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**READING ASSIGNMENTS**

\* = recommended reading

\*\* = required to read before lecture.

\*\*\* = required strongly to read, before lecture. You may be called upon.

**I REVIEW OF MACROECONOMIC CONCEPTS**

1. (8/31) GDP accounting

Campante, Sturzenegger & Velasco (*CSW*), 4.1, pp 46-47; and 7.1, pp. 94-96: Growth acctg. \*

Paul Krugman, 1994, “[The Myth of the Asian Miracle](https://www-jstor-org.ezp-prod1.hul.harvard.edu/stable/20046929#metadata_info_tab_contents),” *Foreign Affairs,* 73, 6*,* Nov., 62-78. \*\*

“[The lives of the parties: China’s economy is more Soviet than you think](https://www-economist-com.ezp-prod1.hul.harvard.edu/finance-and-economics/2018/12/15/the-lives-of-the-parties),” *Economist,* Dec.15, 2018. \*\*

Amadou Sy, 2015, “[Are African countries rebasing GDP in 2014 finding evidence of structural transformation](https://www.brookings.edu/blog/africa-in-focus/2015/03/03/are-african-countries-rebasing-gdp-in-2014-finding-evidence-of-structural-transformation/)?,” Brookings Institution, March 3.   
 W.Chen, X.Chen, Chang-Tai Hsieh & Z.Song, 2019, “[A Forensic Examination of China's National Accounts,”](https://muse.jhu.edu/article/740187/summary) *Brookings Papers on Ec. Activity*, spring, 77-141. [NBER WP 25754](https://www.nber.org/papers/w25754).  
 Arvind Subramanian, 2019, “Validating India’s GDP Growth Estimates,” July, [CID WP 357](https://www.hks.harvard.edu/centers/cid/publications/faculty-working-papers/india-gdp). Reported in “[The Indian growth fable: A former official casts doubt on India’s GDP figures,“](https://www-economist-com.ezp-prod1.hul.harvard.edu/finance-and-economics/2019/06/15/a-former-official-casts-doubt-on-indias-gdp-figures) *The Economist*, June 15, 2019.

“[China’s economy: The real deal,”](https://www.economist.com/finance-and-economics/2020/10/15/can-chinas-reported-growth-be-trusted) *The Economist*, Oct. 17, 2020. \*

1. (9/2) Balance of payments accounting

Caves, Frankel & Jones, [*World Trade and Payments* (*WTP)*, 2007, Chapters 15 & 17.2](https://scholar.harvard.edu/frankel/chapters-15-20-money-income-balance-payments) \*\*\*

“China Concerns: “[Tourism deficit leaves current account vulnerable to trade shock](https://www.ft.com/content/a7944958-6e47-11e8-92d3-6c13e5c92914),” *Financial Times*, June 14, 2018.

“[Pakistan’s economy: In need of re-stitching](https://www-economist-com.ezp-prod1.hul.harvard.edu/asia/2018/06/14/pakistan-faces-a-currency-crisis-who-will-help),” *The Economist*, June 16, 2018.

“[A milder infection: The Philippine peso is the champion of emerging-market currencies](https://www-economist-com.ezp-prod1.hul.harvard.edu/asia/2020/07/23/the-philippine-peso-is-the-champion-of-emerging-market-currencies),” *The Economist,* July 23, 2020. \*\*

**II. DEVALUATION AND THE TRADE BALANCE**

1. (9/7) The Marshall-Lerner condition

Caves, Frankel & Jones, *WTP,* [Chapter 16.1 (pp.291-97) & Supplemt (pp. S43-S44)](https://scholar.harvard.edu/frankel/chapters-15-20-money-income-balance-payments). **\*\*\***

1. (9/9) The trade balance in practice.

Caves, Frankel & Jones, *WTP,* [Chapter 16.2 (pp.297-301).](https://scholar.harvard.edu/frankel/chapters-15-20-money-income-balance-payments) \*\*\*

Jaime Marquez, 2002, “[Income and Price Effects of Asian Trade](https://canvas.harvard.edu/courses/78080/files/10422057/download?wrap=1),” pp.1-7. Chapter in his *Estimating Trade Elasticities* ([Springer](https://www.springer.com/gp/book/9781402071591)), pp. 91-97. \*\*

Dani Rodrik, 2008, “[The Real Exchange Rate and Economic Growth](https://www.brookings.edu/wp-content/uploads/2008/09/2008b_bpea_rodrik.pdf),” *Brookings Papers on Economic Activity*, No.2, fall, 365-412.

**III. THE MUNDELL-FLEMING MODEL**

1. (9/14) The open-economy Keynesian model

Caves, Frankel and Jones [*WTP,* Chapters 17.1, 17.3 & 18.1-18.2](https://scholar.harvard.edu/frankel/chapters-15-20-money-income-balance-payments)  \*\*\*

*CSW*, part of 17.4, pp.281-83. Fiscal multipliers. \*

Olivier Blanchard and Daniel Leigh, 2014, “[Growth Forecasts Errors and Fiscal Multipliers](https://www-jstor-org.ezp-prod1.hul.harvard.edu/stable/23469713?seq=1),” *American Economic Review*, 103, no.3, pp. 117-120. Condensed from [IMF WP 13-1](https://www.imf.org/external/pubs/ft/wp/2013/wp1301.pdf). \*\*

D.Egger, J.Haushofer, E.Miguel, P.Niehaus, and M.Walker, 2019,“[General equilibrium effects of cash transfers: experimental evidence from Kenya,”](http://emiguel.econ.berkeley.edu/research/general-equilibrium-effects-of-cash-transfers-experimental-evidence-from-kenya/) UC Berkeley, Nov.

“[US stimulus and strong remittances give boost to Mexico](https://www.ft.com/content/87d90479-3151-4f82-b88a-33261db44fa3),” *Financial Times*, June 17, 2021. \*

1. (9/16) Mundell-Fleming model of monetary & fiscal policy with a fixed exchange rate

[Caves, Frankel & Jones, *WTP,* Chapters](https://scholar.harvard.edu/frankel/chapter-21-26-international-financial-markets-their-macro-implications) 18.3-18.4, [22.1-22.3](https://scholar.harvard.edu/frankel/chapter-21-26-international-financial-markets-their-macro-implications)  **\*\*\***

*CSW*, 15.1, pp. 226-231: IS-LM. \*

Ethan Ilzetzki, Enrique Mendoza & Carlos Vegh, 2013, “[How Big (Small?) Are Fiscal Multipliers?”](http://www.sciencedirect.com/science/article/pii/S030439321200116X) *J.Mon.Ec*. 60, 2, 239-54. [NBER WP 16479](https://www.nber.org/papers/w16479) or [IMF WP 1152](http://www.imf.org/external/pubs/ft/wp/2011/wp1152.pdf). [Summary](http://www.nber.org/digest/mar11/w16479.html), *NBER Digest*, 2011. \*

G.Chodorow-Reich, G.Gopinath, P.Mishra & A.Narayanan, 2020, “[Cash and the Economy: Evidence from India's Demonetization](https://scholar.harvard.edu/gopinath/publications/cash-and-economy-evidence-indias-demonetization),” [*Quarterly J. Econ.*, 135(1), pp.57-103](https://academic.oup.com/qje/article-abstract/135/1/57/5567189). [NBER WP 25370.](https://www.nber.org/papers/w25370)

“[A stimulating question: Can emerging economies now afford counter-cyclical policies?](https://www-economist-com.ezp-prod1.hul.harvard.edu/node/12775548/print)“ *The Economist*, Dec. 13, 2008, p. 90. \*

“[Argentine businesses battle to survive 40% interest rates,”](https://www.ft.com/content/ec0eb0e0-69e3-11e8-8cf3-0c230fa67aec) *Financial Times*, June 11, 2018. \*

# “[China’s economists debate deficit monetization](https://www-economist-com.ezp-prod1.hul.harvard.edu/finance-and-economics/2020/05/28/chinas-economists-debate-deficit-monetisation),” *The Economist*, May 30, 2020. \*

1. (9/21) Monetary Policy at the Zero Lower Bound

*CSW*, 21.1, pp.336-341: ZLB \*\*\*

# Paul Krugman, “[The Shock of the Normal](https://krugman.blogs.nytimes.com/2017/01/07/the-shock-of-the-normal/?mtrref=undefined&assetType=REGIWALL),” *NYT* blog, Jan. 7, 2017. \*

“[Emerging markets can use quantitative easing, too](https://app.ft.com/content/e5e40252-afdb-11ea-a4b6-31f1eedf762e?sectionid=markets),” *Financial Times*, 18 June, 2020. \*

# “[Emerging markets’ experiments with QE have not turned out too badly](https://www.economist.com/finance-and-economics/2020/10/29/emerging-markets-experiments-with-qe-have-not-turned-out-too-badly),” *Economist,* Oct.31, 2020 \*

1. (9/23) Reserve flows

Caves, Frankel & Jones, [*WTP*,](https://scholar.harvard.edu/frankel/world-trade-payments-text-10th-ed) Chapters 19.1, 22.4-22.7. \*\*\*   
  
 “[Hot money flows into Argentine peso spook President Macri](https://app.ft.com/cms/s/ba84956e-22ad-11e6-9d4d-c11776a5124d.html?sectionid=world),” *Financial Times*, May 27, 2016.   
 “[Swiss central bank blames strong franc as eurozone pulls away](https://www.ft.com/content/fcc25e7e-51bf-11e7-bfb8-997009366969),” *Fin. Times*, June 16, 2017.

“[Turkish lira up 2% after central bank raises interest rates to keep inflation in check](https://www.ft.com/content/80b278f0-6a55-11e8-b6eb-4acfcfb08c11),” *FT*, July 8, 2018.

“[Why investors favour economically orthodox political strongmen: A guide to auto-technocracy](https://www-economist-com.ezp-prod1.hul.harvard.edu/finance-and-economics/2019/07/27/why-investors-favour-economically-orthodox-political-strongmen),” *The Economist*, July 27, 2019. \*

1. (9/28) Mundell-Fleming with a floating rate.

[*WTP*](https://scholar.harvard.edu/frankel/world-trade-payments-text-10th-ed), Chapter 23.1-23.2 \*\*\*  
 “[Brazil’s economy: Wild horses – A soaring currency…”](https://www-economist-com.ezp-prod1.hul.harvard.edu/the-americas/2011/04/20/wild-horses) *The Economist*, Apr.23, 2011. \*\*

“[Why China has learned to relax about its currency](https://www.economist.com/finance-and-economics/2021/06/17/why-china-has-learned-to-relax-about-its-currency),” *The Economist*, June 17, 2021.

1. (9/30) The model with perfect capital mobility; the Impossible Trinity

[*WTP*](https://scholar.harvard.edu/frankel/world-trade-payments-text-10th-ed), Chapter 23.3-23.4. \*\*\*

Robert Mundell, 1963, "[Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates](http://www.columbia.edu/~ram15/ie/ie-18.html)," *Canadian J .Ec.& P.S.*, Nov.

“[Turkey needs a new approach to the lira](https://www.ft.com/content/328f7086-565d-47f2-a717-30cc3be37beb),” *Financial Times*, July 29, 2020.

“[Emerging markets are right to worry about capital flows](https://www.ft.com/content/30652b8d-8aff-444a-a703-fd8582058c69),” Duvvuri Subbaro, *Financial Times*, June 22, 2021. \*

**IV. INFLATION**

1. (10/5) Aggregate Demand, Aggregate Supply, and inflation

[*WTP*](https://scholar.harvard.edu/frankel/world-trade-payments-text-10th-ed), Chapter 26.1 \*\*\*

Prachi Mishra & Peter Montiel, 2013,”[How Effective is Monetary Transmission in Low-income Countries? A Survey of the Empirical Evidence](http://www.sciencedirect.com/science/article/pii/S0939362513000332),” *Economic Systems.* [vol.37, issue 2](http://www.sciencedirect.com/science/journal/09393625/37/2), June, 187–216.  [IMF WP12143.](http://www.imf.org/external/pubs/ft/wp/2012/wp12143.pdf)   
 **“**[Some like it hot: Which emerging economies are at greatest risk of overheating](https://www.economist.com/finance-and-economics/2011/06/30/some-like-it-hot)?” *The Economist*, July 2, 2011. \*\*

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