

ECO419: International Macroeconomics
Fall 2025, University of Toronto
L0101: Mondays, 2–5pm, BL313

Instructor: Joseph Steinberg

Office: 150 St. George Street (Max Gluskin House), Room 226

Email: joseph.steinberg@utoronto.ca

Office hours: Tuesdays 12:30–2:30pm (**appointment required!**)

Course Description:

ECO419 is an advanced undergraduate course on international macroeconomics: the study of international borrowing/lending and exchange rate dynamics. We will study important concepts, empirical facts, and puzzles in international macro and build models to make sense of them (or not, in some cases!) See the course outline at the end of the syllabus for a more detailed taste of what we will talk about.

Textbook:

The textbook for this course is *International Macroeconomics: A Modern Approach* by Stephanie Schmidt-Grohe, Martín Uribe, and Michael Woodford. The textbook publisher's website is here: <https://press.princeton.edu/books/hardcover/9780691170640/international-macroeconomics>. Martín Uribe's website has some excellent free slides that accompany the textbook, which you can find here: <http://www.columbia.edu/~mu2166/UIM/index.html>. I will also ask you to read some academic articles and other external material.

Grades:

The course grade consists of **term work (worth 65%)** and a **final exam (worth 35%)**. Term work consists of **1 term test (worth 30%)**, **2 problem sets (each worth 10%)**, and a **presentation (worth 15%)**.

Schedule of term work and final exam:

Item	Date	Time / location	Weight in course grade
1 st problem set	10/6/2025	In class	10%
Term test	10/20/2025	In class	30%
2 nd problem set	12/01/2025	In class	10%
Presentations	11/24/2025, 12/01/2025	In class	15%
Final exam	TBA	TBA	35%

Tests:

- The term test will take place during class time on **October 20**. The final exam will take place during the final exam period in December (location and time TBA).

- For re-grading the term test, you must submit your test materials and a detailed written description of your complaint within 2 weeks of receiving your test grade. No re-grade requests will be accepted after 2 weeks. Note: your entire test will be re-graded, and your test score may go up or down!
- If necessary, there will be a make-up test several weeks after the term test. To register for the make-up test you must:
 - Email me **before** the start of the term test.
 - Declare your absence on ACORN by the day after the test at the latest.
 - If you miss both the term test and the make-up test, you will receive a score of zero for the term test (there is no “make-up test for the make-up test”).
- On all exams, you may use non-programmable calculators only. No graphing calculators, mobile phones, or any other computational aids will be allowed. You may not bring notes or any other aids. Please remember to bring your student ID card to all exams so that I can take attendance.

Problem sets:

There will be two problem sets, each worth 10% of the course grade, which will ask you to solve problems similar to the ones you will face on the term test and final exam. You may work together on problem sets, but you must turn in a write-up of the solutions in your own words. These solutions should be submitted at the beginning of class on the due date. Late assignments will not be accepted.

Presentations:

In the last two weeks of class, you will work in groups of three to present important research papers that expand upon and provide additional context for the lecture material. Each group will be allotted 35 minutes. The presentations themselves should take 30 minutes, during which time you will discuss the motivation, methodology, and results of the paper your group has been assigned. After the presentation, your group will lead the class in a 5-minute discussion. We will talk more about the presentations later in the semester once the course enrollment has stabilized.

Email policy:

The best form of communication with me is in person, either after lectures or during my office hours. If you must contact me by email, make sure to identify yourself and use your UTOR email account. Email from other addresses may not reach me. Also, please put “ECO419” somewhere in the subject line.

Office Hours:

I hold office hours on Tuesdays 12:30-2:30pm. **If you would like to attend my office hours, you must reserve a time slot in advance** using this Google Docs calendar:

https://docs.google.com/spreadsheets/d/1Bm9GPoJLx3TXCy8O_nVeWRTFOt_T-7KNKdORFgN8Ye8/edit?usp=sharing.

Time slots are available in 15-minute increments. To reserve a slot, simply type your name. Note that the time slots for each day will lock once office hour begin at 1pm; I need to know the schedule in advance to plan the rest of my day. You may only reserve multiple time slots if you

email me first. One exception to this policy is if you would like to attend office hours in a group of several students (many students like to do this before term tests). Groups of X students may reserve X time slots, where X is any number greater than or equal to one. Just fill in the names of all students in the group in each of the slots on the calendar that you would like to reserve.

Course outline:

Topic	Chapters	Description
Preliminaries	1	Balance of payments accounting, global imbalances
	2	Current account deficit/trade deficit sustainability
Current account theory	3	Small open endowment economy
	6	Uncertainty and the current account
	5, 11.1	Small open production economy, Feldstein-Horioka
	7	Large open economy model
Fiscal policy in int'l macro	8, 12	Twin deficits, Ricardian equivalence, capital controls, sovereign debt
Exchange rates	11	Nominal exchange rates, interest parity
	9, 10.6	Real exchange rates
Sudden stops and other crises	10	Latin American Sudden stops
	14.4	The Eurozone crisis

Reading list:

Alessandria, G. and J. Kaboski (2008), “Why Are Goods so Cheap in Some Countries?” Business Review, Federal Reserve Bank of Philadelphia, Q2 2008.

Alfaro, L., S. K.O., and V. Volosovych (2008), “Why Doesn’t Capital Flow from Rich to Poor Countries? An Empirical Investigation” *The Review of Economics and Statistics*, 90, 347–368.*

Atkeson, A., J. Heathcote, and F. Perri (2025), “The End of Privilege: A Reexamination of the Net Foreign Asset Position of the United States,” *American Economic Review*, 115, 2151–2206.*

Baxter, M. and M. Crucini (1993), “Explaining Saving-Investment Correlations,” *American Economic Review*, 83, 416-436.*

Baxter, M. and U. Jermann (1997), “The International Diversification Puzzle is Worse than You Think,” *American Economic Review*, 87, 170–180.*

Bernanke, B. S. (2005), “The Global Saving Glut and the U.S. Current Account Deficit,” speech at the Sandridge Lecture, Virginia Association of Economists, Richmond, VA, March 10.

Burstein, A., M. Eichenbaum, and S. Rebelo (2004), “Large Devaluations and the Real Exchange Rate,” *Journal of Political Economy*, 113, 742–784.

Engel, C. (1999), “Accounting for U.S. real exchange rate changes.” *Journal of Political Economy*, 107, 507-538.

- Feldstein, M. and C. Horioka (1980), "Domestic Saving and International Capital Flows", *Economic Journal*, 90 (358): 314–329.
- Fogli, A. and F. Perri (2015), "Macroeconomic Volatility and External Imbalances," *Journal of Monetary Economics*, 69, 1–15.
- Gourinchas, P.-O. and O. Jeanne (2013), "Capital Flows to Developing Countries: The Allocation Puzzle," *Review of Economic Studies*, 80 (4), 1484-1515.*
- Hausmann, R. and F. Sturzenegger (2005), "Can Dark Matter Prevent a Big Bang?" Center for International Development Working Paper, Kennedy School of Government.
- Kehoe, T. J. and K. J. Ruhl (2008), "Are Shocks to the Terms of Trade Shocks to Productivity," *Review of Economic Dynamics*, 11 (4), 804-819.*
- Milesi-Feretti, G. M. (2009), "A \$2 Trillion Question," VoxEU, available online at <http://www.voxeu.org/article/2-trillion-question>.
- Neumeyer, P. and F. Perri (2005), "Business Cycles in Emerging Economies: The Role of Interest Rates," *Journal of Monetary Economics*, 52, 345–380.*
- Obstfeld, M. and K. Rogoff (2001), "The Six Major Puzzles in International Macroeconomics: Is there a Common Cause?" *NBER Macroeconomics Annual*, 15, 339–412.
- Rodrik, D. (2008), "The Real Exchange Rate and Economic Growth," *Brookings Papers on Economic Activity*, 2, 365–412.*
- Rothert, J. and J. Short (2016), "Non-Traded Goods and Capital Flows to Developing Countries," Working Paper.*
- Taylor, A. M. and M. P. Taylor (2004), "The Purchasing Power Debate," *Journal of Economic Perspectives*, 18, 135–158.

Note: stars indicate preliminary selection of presentation papers

Notes on Quercus:

This course uses the University's learning management system, Quercus, to post information about the course, including materials required to complete class activities and course assignments, share important announcements and updates, and foster academic discussion between learners. The site is dynamic and new information and resources will be posted regularly as we move through the term. The principal source of information about all course-related work will be the course site in Quercus, so please make it a habit to log in to the site on a regular if not daily basis. Please note that any grades posted within the Quercus Grade Centre are posted for your information only, so you can view and track your progress through the course. No grades are considered official, included any posted in Quercus at any point in the term, until they have been formally approved by the Course Instructor at the end of the course.

Notes on academic integrity:

All students, faculty and staff are expected to follow the University's guidelines and policies on academic integrity. For students, this means following the standards of academic honesty when writing assignments, citing and using source material appropriately, collaborating with fellow students, and writing tests and exams. Consult the Code of Behaviour on Academic Matters for a

complete outline of the University's policy and expectations:

<https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019>

Notes on generative AI:

Students are encouraged to make use of technology, including generative artificial intelligence tools, to contribute to their understanding of course materials. It is unlikely that generative AI tools will help you on the problem sets, but you may find them useful in preparing your oral presentations. For example, you can use these tools to help you “polish off” text in your slide deck, or you could query them for explanations of difficult-to-grasp concepts in the research paper you are assigned. Regardless of whether you use these tools, you are ultimately accountable for the work you submit. You are not required to cite AI-generated content or provide documentation of the prompts you used to obtain this content.

Notes on accommodation:

- Students with diverse learning styles and needs are welcome in this course. If you have an ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) (<http://www.studentlife.utoronto.ca/as>) at the beginning of the term. Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs. AS will then assess your medical situation, develop an accommodation plan with you, and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your condition with any instructor, and your instructors will not reveal that you are registered with AS.
- As a student at the University of Toronto, you are part of a diverse community that welcomes and includes students and faculty from a wide range of backgrounds, cultural traditions, and spiritual beliefs. For my part, I will make every reasonable effort to avoid scheduling tests, examinations, or other compulsory activities on religious holy days not captured by statutory holidays. Further to University Policy, if you anticipate being absent from class or missing a major course activity (like a test, or in-class assignment) due to a religious observance, please let me know as early in the course as possible, and with sufficient notice (at least two to three weeks), so that we can work together to make alternate arrangements.
- If you become ill and it affects your ability to do your academic work, consult me right away. Normally, I will ask you for medical documentation in support of your specific medical circumstances. The University's Verification of Student Illness or Injury (VOI) form is recommended because it indicates the impact and severity of the illness, while protecting your privacy about the details of the nature of the illness. You can submit a different form (like a letter from the doctor), as long as it is an original document, and it contains the same information as the VOI.
- There may be times when you are unable to complete course work on time due to non-medical reasons. If you have concerns, speak to me. It is also a very good idea to speak with an advisor in your College Registrar's office; they can support you in requesting extensions or accommodations, and importantly, connect you with other resources on campus for help with your situation.

