

International Finance

Graduate Institute of International and Development Studies (Geneva)

Course information

Term / credits	Spring 2026 — 6 ECTS
Meeting time	Fridays, 14:15–16:00 (weekly, starting Fri 20 February 2026)
Office hours	Fridays, 16:30–18:30 (same day as class, by appointment)
Instructor	Filippo Pallotti
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Location	Chem. Eugène-Rigot 2, 1202 Genève
Cross-registration	https://www.graduateinstitute.ch/visiting-students

Course description

This course develops a model-based toolkit for analyzing open-economy dynamics and policy. We begin with the intertemporal approach to the current account. We then study open-economy RBC and the propagation of productivity and financial shocks, before introducing nominal rigidities and their implications for exchange-rate regimes. The second half of the course covers the IMF's Integrated Policy Framework (IPF), as well as recent research on advanced-economy transmission mechanisms with heterogeneous agents: (i) the real-income channel following a depreciation (ii) temporary tariff shocks. We use tariff shocks both as import-price shocks with short-run macro and monetary-policy implications, and as a bridge to a geoeconomics perspective on economic coercion and fragmentation. The final part covers sovereign debt and default, combining empirical regularities and the core logic of Eaton–Gersovitz style models.

Learning objectives

By the end of the course, students should be able to:

- Formulate and solve canonical small-open-economy environments using intertemporal budget constraints, Euler equations, and market-clearing conditions.
- Map economic narratives (sudden stops, peg-induced unemployment, tariff-driven stagflation, default episodes) into equilibrium objects and testable implications.
- Analyze the role of nominal rigidities for external adjustment and the design of monetary and exchange-rate policy.
- Explain why exchange-rate movements can be expansionary or contractionary depending on trade elasticities and intertemporal marginal propensities to consume.
- Understand the empirical regularities of sovereign default and the main building blocks of quantitative sovereign-debt models.

Assessment

- **Final exam: 100%**. The exam emphasizes equilibrium reasoning, derivations, and interpretation/policy questions.

Main required textbook

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press. (Only chapters assigned below are required.)

Reading policy

- **Required** readings are the core material for the lecture and are examinable.
- **Suggested** readings are optional: one (occasionally two) references per lecture to deepen intuition and connect to the frontier.

Schedule at a glance

Date (Fri)	Lec.	Topic
20 Feb 2026	1	Intertemporal approach I: consumption-saving and the current account (USG Ch. 2)
27 Feb 2026	2	Intertemporal approach II: introducing capital and production (USG Ch. 3)
06 Mar 2026	3	Open-economy RBC: production, investment and comovement (USG Ch. 4)
20 Mar 2026	4	Shocks I: productivity and financial frictions (USG Ch. 5)
27 Mar 2026	5	Shocks II: interest-rate shocks and spreads (USG Ch. 6)
17 Apr 2026	6	Nominal rigidities: exchange rates and unemployment (USG Ch. 9)
24 Apr 2026	7	Policy toolkit: exchange-rate, fiscal, capital controls (USG Ch. 10)
01 May 2026	8	Heterogeneous-agent open economy: the real-income channel
08 May 2026	9	Tariff shocks and geoeconomics: policy-induced import-price shocks, stabilization, and economic coercion
15 May 2026	10	Sovereign debt I: facts and a case study (USG Ch. 13, selected)
22 May 2026	11	Sovereign debt II: theory (USG Ch. 13)
29 May 2026	Exam	

Detailed lecture outline and readings

Lecture 1 (February 20) — Intertemporal approach I: consumption–saving and the current account

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 2.

Lecture 2 (February 27) — Intertemporal approach II: capital and production

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 3.

Lecture 3 (March 6) — Open-economy RBC

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 4.

Suggested:

- Mendoza, Enrique (1991). “Real Business Cycles in a Small Open Economy.” *American Economic Review*.

Lecture 4 (March 20) — Shocks I: productivity and financial frictions

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 5.

Lecture 5 (March 27) — Shocks II: interest-rate shocks and spreads

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 6.

Suggested:

- Neumeyer, Pablo and Fabrizio Perri (2005). “Business Cycles in Emerging Economies: The Role of Interest Rates.” *Journal of Monetary Economics*.
- Uribe, Martín and Vivian Yue (2006). “Country Spreads and Emerging Countries: Who Drives Whom?” *Journal of International Economics*.

Lecture 6 (April 17) — Nominal rigidities, exchange rates, and unemployment

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 9 (excluding sections assigned as optional in class).

Lecture 7 (April 24) — Exchange-rate policy, fiscal policy, and capital controls

Required:

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 10 (excluding sections assigned as optional in class).

Lecture 8 (May 1) — Heterogeneous-agent open economy: the real-income channel**Required:**

- No required reading beyond lecture notes.

Suggested:

- Auclert, Adrien *et al.* “Exchange Rates and Monetary Policy with Heterogeneous Agents: Sizing up the Real Income Channel.” https://web.stanford.edu/~aaucclert/ha_oe.pdf
- Jupyter Notebook https://github.com/shade-econ/nber-workshop-2025/blob/main/notebooks/lecture7_open_economy.ipynb
- Auclert, Adrien, Matthew Rognlie, and Ludwig Straub “The Intertemporal Keynesian Cross”, *Journal of Political Economy*, 2024.
- Kaplan, Greg, Benjamin Moll, and Giovanni L. Violante (2018). “Monetary Policy According to HANK.” *American Economic Review*.

Lecture 9 (May 8) — Tariff shocks and geoeconomics: policy-induced import-price shocks, stabilization, and economic coercion**Required:**

- No required reading beyond lecture notes.

Suggested:

- Auclert, Adrien *et al.* “The Macroeconomics of Tariff Shocks” https://shade-econ.github.io/tariff_shocks.pdf
- Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “A Theory of Economic Coercion and Fragmentation” https://globalcapitalallocation.s3.us-east-2.amazonaws.com/CMS_fragmentation.pdf
- Amiti, Mary, Stephen J. Redding, and David E. Weinstein (2019). “The Impact of the 2018 Tariffs on Prices and Welfare.” *Journal of Economic Perspectives*.

Lecture 10 (May 15) — Sovereign debt I: facts, costs of default, and a case study**Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 13 (empirics and motivation; sections assigned in class).

Suggested:

- Caselli, Francesca, Matilde Faralli, Paolo Manasse, and Ugo Panizza (2025). “On the benefits of repaying.” *Journal of the European Economic Association*.

Lecture 11 (May 22) — Sovereign debt II: theory**Required:**

- Martín Uribe and Stephanie Schmitt-Grohé (2017), *Open Economy Macroeconomics*, Princeton University Press, Chapter 13 (theory sections).

Exam (May 29)

- The exam emphasizes equilibrium reasoning, derivations, and interpretation/policy questions.