

# PSE Masters in Economics (APE), Year 1 (M1)

## Macro 3: International Macroeconomics, Spring 2026

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*Note: Details may change slightly before the course starts.*

### Course Description

This course provides an introduction to international macroeconomics, covering the core theoretical frameworks and empirical methods used to study open-economy phenomena. We ask questions such as: Why do some countries run persistent current account deficits? Do exchange rates align prices across countries, and if not, why not? How and why do financial crises and sudden stops occur? How much risk sharing is there across countries?

The course is project-based: there is no exam. The central task is a group empirical project in which students replicate and extend a paper from the international macro literature. The lectures provide the theoretical and empirical toolkit needed to carry this out.

**Textbook:** [Schmitt-Grohé et al. \(2022\)](#), *International Macroeconomics: A Modern Approach*. Princeton University Press. Sample lecture notes are available at <https://www.columbia.edu/~mu2166/UIM/>.

### Schedule and Key Dates

**Lectures:** March 23 – April 8, 2026 (12 hours total; 6 sessions of 2 hours)  
**TA setup sessions:** April 13 and April 17, 2026 (group formation and project launch)  
**TA office hours:** 3 hours per group (to be scheduled with Juan Pablo Ugarte Checura)  
**Presentations:** May 26 and 27, 2026  
**Submission:** May 29, 2026

### Course Outline

The course covers four main topics over five sessions, plus one spare lecture.

## **Topic 1: Current Account and Global Imbalances**

[Chapters 1–4, 8 — two sessions]

- Definitions, accounting, and jargon: the balance of payments, the current account, and net foreign assets
- The intertemporal approach to the current account (endowment economy)
- Empirical determinants of current account balances and net foreign assets
- Can a country run a current account deficit forever?

One or two project papers will be assigned for this topic.

## **Topic 2: Exchange Rates and Price Levels**

[Chapters 9, 10.6 — one session]

- Real vs. nominal exchange rates; purchasing power parity (PPP)
- Deviations from PPP and the Balassa–Samuelson effect

One or two project papers will be assigned for this topic.

## **Topic 3: Crises — Sudden Stops and Sovereign Risk**

[Chapters 10.4, 15 — one session]

- Defining sudden stops and capital flow reversals
- Balance of payments crises
- Sovereign spreads and default risk

One or two project papers will be assigned for this topic.

## **Topic 4: International Risk Sharing**

[Chapter 11 — one session]

- Covered and uncovered interest parity; the carry trade
- Cross-country consumption correlations and risk-sharing regressions
- The global financial cycle and US monetary policy spillovers

One or two project papers will be assigned for this topic.

## **Spare Lecture**

One session is reserved for spillover material or student-requested topics.

## Group Project

The group project is the core of the course and constitutes the entire assessment. Students work in **groups of three**.

**Structure:** Each group selects a question in international macroeconomics (chosen from a list or proposed by the group). Projects are typically empirical and follow this structure:

1. Select a **reference paper** and **replicate** one key table or figure.
2. Extend the analysis, for example by:
  - Updating the sample period to more recent data
  - Focusing on a different set of countries or regions
  - Adding extra variables or robustness checks
3. Write a short **research-style report** and prepare a **presentation**.

**Data sources:** Standard macroeconomic databases such as IMF (WEO, IFS, BOP), World Bank (WDI), Penn World Tables, OECD, and BIS.

**Methods:** Basic econometric tools are sufficient: OLS, simple time-series methods, and panel regressions.

**Note on replication:** If you cannot exactly replicate the paper's results, this will not be penalised provided you have made a genuine effort and correctly describe any discrepancies. Sadly, papers often don't replicate, and you are contributing to science by checking if they do.

## AI policy

Students **are allowed to use AI tools** to help them with their project. However, this comes with strong rules and requirements:

- All AI use must be declared. You will not be penalised for using AI (within the rules below) so please honestly disclose your use. Maintain a document listing how you used AI, including every prompt used to generate your output.
- AI should be used to help you implement specific tasks, not to replace your deep thinking or automate the whole process. For example, using AI to help write your regression or data processing code is allowed, but asking AI "Please replicate this paper for me. You should go find me the data, run my regressions, and write the project paper" is explicitly against the spirit of this policy.

- The idea is that you should be doing the thinking. For example, you read the project paper, you search for where the updated data is, you think about what the regression should look like. **Since the idea of university is to learn, do as much thinking as possible** and only let AI handle implementation.
- Always be critical and check the AI output yourself. It is very good, but still makes mistakes. Do not trust it about very specific information. For example, it tends to hallucinate answers to detailed questions about variable names in public datasets.

Your grade will be penalised if we discover or have sufficient reason to believe that you used AI in a way that exceeds the rules above.

## Assessment

- **100% group project.** There is no exam or individual homework.
- The grade reflects project quality (final submitted written report, 40%), presentation quality (content and answers to questions, 30%), and engagement with TA support sessions (30%).
- The TA will set up a GitHub repository with you where you must periodically upload work. All codes and data must be stored here, as well as your final project and presentation. This should be updated periodically as you work, and ideally by the person who did the work.
- Everyone in the same group receives the same grade by default, unless we have sufficient reason to believe that someone has not pulled their weight. In that case, we may penalise individual grades in proportion to the lack of contribution.
- Projects are in groups of three. You are free to form your own groups, and if you cannot form a complete group of three, we will assign the remaining people into groups. If the class size is not divisible by three, we may assign a limited number of groups of two and will discuss fair adjustments to their grading to reflect workload differences.
- Further details on word count and submission format will be confirmed before the projects begin.

## References

SCHMITT-GROHÉ, S., M. URIBE, AND M. WOODFORD (2022): *International Macroeconomics: A Modern Approach*, Princeton, New Jersey: Princeton University Press.