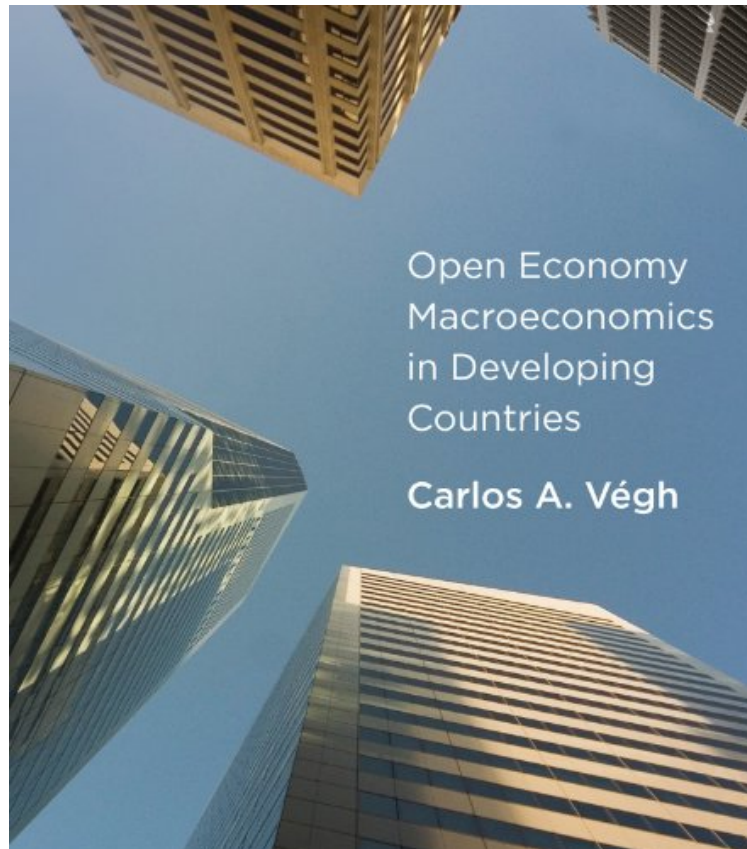


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Carlos A. Végh

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Carlos A. Veacutegh : Open Economy Macroeconomics in Developing Countries (MIT Press) before purchasing it in order to gage whether or not it would be worth my time, and all praised Open Economy Macroeconomics in Developing Countries (MIT Press):

1 of 1 people found the following review helpful. Great book! Must-have book for graduate students to study advanced open-economy macroeconomics!!By PaulThis book is great! I'd say, this book is a must-have book for graduate students to study advanced open-economy macroeconomics. This book provides us with the foundation of advanced open-economy macroeconomics and rich illustration in emerging markets that we can apply the models to actual macroeconomic issues. Although the title of book contains "in developing countries", I guess you don't have to care about it even if you are not interested in developing countries. Rich topics related to recent financial issues will help you to understand the essence of macroeconomic models, then you can use this book as a standard textbook for open-economy macroeconomics.In this field, Obstfeld and Rogoff is also a famous and useful textbook for advanced open-economy macroeconomics.The difference between this book and Obstfeld and Rogoff is not only that this book updated some topics based on the latest studies in 2000s, but also that this book puts emphasis on more practical application of models to several financial issues than Obstfeld and Rogoff does, as the author says in the preface,

"Obstfeld and Rogoff's (1996) monumental work is rightly viewed as the gold standard in the field. Like Obstfeld and Rogoff, this book uses the basic small open economy paradigm as the starting point of our investigation journey. But the path that we follow quickly takes us into different territory since our aim is to use extensions/modifications of the basic model to understand emerging markets macroeconomics, rather than providing an exhaustive review of the foundation of international finance. Furthermore, and particularly in the monetary and exchange rate area, this book develops new paradigms to address certain issues of interest. This book should therefore be reviewed as using the theoretical tools of international finance, as presented in Obstfeld and Rogoff, extending them as needed in several important directions, and then applying them to emerging markets' macroeconomics."

0 of 0 people found the following review helpful. A textbook worth having and reading with care. By International macro guy This is an excellent theory-based book from which to get the economic intuition that are behind advanced open-economy macroeconomic models. It is NOT a text that walks you through the whole process of setting up open-economy DSGE models on the computer. As the author -recently appointed as the Chief World Bank Economist for Latin America and the Caribbean- himself mentions in the introduction, simplicity in economic models is something always worth striving for. From the very beginning, he therefore takes pains to present every model in the simplest possible fashion and carefully explain the transmission mechanisms that give rise to the main predictions. Besides, the author also resorts to the frequent and inspired use of boxes containing empirical evidence that support or reject the model at hand and practical matters related to each theory explained. The table of contents is the following:

Chapter 1: The basic intertemporal model
 Chapter 2: Capital markets imperfections
 Chapter 3: Intertemporal distortions
 Chapter 4: Non-traded goods and relative prices
 Chapter 5: The basic monetary model
 Chapter 6: The monetary approach to the balance of payments
 Chapter 7: Temporary policy
 Chapter 8: Sticky prices
 Chapter 9: Interest rate policy
 Chapter 10: Optimal fiscal and monetary policy
 Chapter 11: Optimal exchange rate regimes
 Chapter 12: Real anchors
 Chapter 13: Inflation stabilization
 Chapter 14: Capital inflows
 Chapter 15: Dollarization
 Chapter 16: Balance of payment crises
 Chapter 17: Financial crises

The majority of the models the author makes use of in the book are in continuous time, although he sometimes turns to discrete-time models when necessary. Continuous-time models are certainly more elegant, but discrete time currently dominates in modern macroeconomics. In addition, as a logical consequence of the book prioritizing simplicity over everything else, most of the models presented are deterministic. Using stochastic continuous-time models would have complicated matters a great deal, which runs counter to the author's tenets. All in all, a great source from which to learn short-run development macroeconomics. Having a copy on one's shelves is highly recommendable!!

2 of 2 people found the following review helpful. Great book for open economy macroeconomics. By Boyang Zhang This is a great book for PhD students and economists interested in open economy macroeconomics and international finance. In particular, it uses pedagogical models to study many interesting questions facing developing countries.

This rigorous and comprehensive textbook develops a basic small open economy model and shows how it can be extended to answer many important macroeconomic questions that arise in emerging markets and developing economies, particularly those regarding monetary, fiscal, and exchange rate issues. Eschewing the complex calibrated models on which the field of international finance increasingly relies, the book teaches the reader how to think in terms of simple models and grasp the fundamentals of open economy macroeconomics. After analyzing the standard intertemporal small open economy model, the book introduces frictions such as imperfect capital markets, intertemporal distortions, and nontradable goods, into the basic model in order to shed light on the economy's response to different shocks. The book then introduces money into the model to analyze the real effects of monetary and exchange rate policy. It then applies these theoretical tools to a variety of important macroeconomic issues relevant to developing countries (and, in a world of continuing financial crisis, to industrial countries as well), including the use of a nominal interest rate as a main policy instrument, the relative merits of flexible and predetermined exchange rate regimes, and the targeting of "real anchors." Finally, the book analyzes in detail specific topics such as inflation stabilization, "dollarization," balance of payments crises, and, inspired by recent events, financial crises. Each chapter includes boxes with relevant empirical evidence and ends with exercises. The book is suitable for use in graduate courses in development economics, international finance, and macroeconomics.