

Economics 4423: International Finance

Spring 2018: Syllabus

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Course Description:

The goal of this course is to study and understand the core issues in international finance (otherwise known as open-economy macroeconomics or international macroeconomics). The primary issues (though there are others) include the determination of exchange rates, factors that drive the balance of payments, and how shocks to the international economic system affect conditions in the domestic economy. We will also consider the “international financial architecture” and the roles of institutions such as the World Bank and the International Monetary Fund.

We are living through an exceptionally interesting period in the history of world economics, making it an exciting time to study international finance. The world is becoming increasingly globalized, with the result that the events in one region directly affect those in another. How, for example, does an internal crisis within the Euro zone affect economic growth prospects in the United States, and why? What are the limitations of monetary policy in one country when capital can flow freely across borders in search of higher returns abroad? Why is it that a

Problem sets turned in within 24 hours of the due date will be marked down 20%. No assignments turned in after that time will be accepted.

Students who may need academic accommodations for examinations should speak with me before January 29.

Required Text and Other Readings

Robert C. Feenstra and Alan M. Taylor, *International Macroeconomics: 4th Edition*, Worth Publishers, 2017 (F&T). Using the 3rd edition should be OK also but there were some significant changes so you would have to speak with me about the organization of your reading.

You may also wish to consult whatever macroeconomics text you used in Economics 3080, which is a prerequisite for this class. A standard text often used in 3080 is Charles Jones, *Macroeconomics*, W.W. Norton and Company, 2nd or 3rd edition.

If you have not met this prerequisite I strongly advise you to wait until you have done so before taking Econ 4423. But if you believe you are prepared on the basis of having taken similar course(s) please talk with me as quickly as possible.

In some cases the text readings will be supplemented by short articles on current issues in international finance that will be posted on the D2L site for this course. These postings will reflect current international events that we can analyze with course models and concepts during class discussion.

Course Schedule

We will attempt to stick to this schedule as closely as we can. F&T chapter appendixes are not required unless noted.

Weeks	Topics	Readings
1; Jan 17	Intro to Global Macroeconomy	F&T, Chapter 1
1 & 2; Jan 19-24	Exchange Rates & Parity Relations	F&T, Chapter 2
2 & 3; Jan 26 – Feb 2	The Long-Run Monetary Model and PPP	F&T, Chapter 3
4 to 5; Feb 5-16	The Short-Run Asset Approach	F&T, Chapter 4
FEBRUARY 9 FEBRUARY 16	ASSIGNMENT 1 DUE, BEGINNING OF CLASS EXAMINATION ONE (COVERS CHS. 1-4)	
6 & 7; Feb 19 – Mar 2	National Income & Balance of Payments; Savings & Investment	F&T, Chapter 5 (including appendix)

