COURSE DESCRIPTION

_ECON 8423_ is a graduate course in open-economy macroeconomics and international finance. We will discuss a number of topics in these areas. Here is a partial list of issues that will be discussed:

1. Real and nominal exchange rates are highly correlated.
2. Exchange rates are volatile and persistent.
3. Forward exchange rates are poor and biased predictors of future spot exchange rates.
4. International differences in interest rates are large and persistent.
5. Portfolios are not internationally diversified.
6. The extent of international consumption risk-sharing is less than expected.
7. Savings and investment are highly correlated.
8. The trade balance and the current account are countercyclical.
9. Business cycles are highly correlated across countries.
EVALUATION

The assessment for this class consists of

Test: A take-home test will be distributed in class on 2 March and is due on 3 March at 4:00 pm.

Report: You are required to write a 3-page referee report of an article in international macroeconomics. You will be presenting both the article and the report in class. The report is due on 16 March in class. The presentations will take place shortly after. I must approve your choice of article no later than 23 February.

Survey: To introduce you to recent research, you are required to write a 10-page survey of a topic in international macroeconomics. The survey is due on 27 April. I must approve your choice of topic and a preliminary list of papers no later than 23 February.

Final: The final examination is cumulative.

The tentative schedule and the grade distribution are displayed in the table below.

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Date</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Take Home Test</td>
<td>2 March</td>
<td>20</td>
</tr>
<tr>
<td>Report</td>
<td>16 March</td>
<td>20</td>
</tr>
<tr>
<td>Survey</td>
<td>27 April</td>
<td>30</td>
</tr>
<tr>
<td>Final</td>
<td>2 May 4:30 to 7:00pm</td>
<td>30</td>
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</tbody>
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TEXTS


Course Outline

1. INTRODUCTION

Mark Chapter 1.


2. THE INTERTEMPORAL APPROACH TO THE CURRENT ACCOUNT

Obstfeld and Rogoff Chapters 1 to 3.


3. INTERNATIONAL CAPITAL FLOWS


4. INTERNATIONAL RISK SHARING

Obstfeld and Rogoff Chapter 5.


### 5. INTERNATIONAL BUSINESS CYCLES

**Mark** Chapter 5.


### 6. EXCHANGE RATES

**Mark** Chapters 3 and 4.

**Obstfeld and Rogoff** Chapters 8 and 9.


### 7. NOMINAL RIGIDITIES

**Mark** Chapters 8 and 9.

**Obstfeld and Rogoff** Chapter 10.


**8. SOME ISSUES IN INTERNATIONAL TRADE**


**9. SOME ISSUES IN INTERNATIONAL FINANCE**


