

UNIVERSITY OF COLORADO AT BOULDER

Department of Economics

ECON4999—001: ECONOMICS IN ACTION

Issues in International Finance

Fall 2003

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Course Description:

The purpose of this course is to encourage students to read, think, and do research on international finance and open-economy macroeconomics. Students will be asked to use and improve their communication skills (writing and speaking) and their analytical skills (critical thinking and problem solving). These skills will be used when discussing topics in international finance and open-economy macroeconomics.

Course Organization:

Class time will be devoted to two activities. First, I will lecture. A term-test/quiz will ensure that we all have a basic understanding of the main concepts in international finance and open-economy macroeconomics. Then, you will be asked to present your ideas to the class orally and in written form. For this latter activity to work, it is imperative that you participate.

Course Home Page:

The course has a home page. The URL is:

<http://www.colorado.edu/Economics/courses/boileau/4999/econ4999.html>

The page will be the main vehicle for disseminating information about the course. Consult it! It contains a number of interesting links that you should visit.

Evaluation:

The evaluation consists of a test/quiz, two individual projects, and a group project. Early on in the semester, I will be dividing the class in small groups of 3 to 4 members. To prevent free riding, each member of a group will be asked to grade the efforts of the other group members at the end of the semester. The various projects are described at the end of the course outline. There will be no make-up test. There will be a severe penalty for late projects: you will lose a full grade level for each day beyond the due date (i.e., an "A" paper that is one day late will receive a "B").

PROJECT	DUE DATES	PERCENTAGES
<u>Test/Quiz</u>	23 October	15
<u>Individual Project I</u>		20
Country approval	11 September	5
Stage 1	25 September	5
Stage 2	23 October	5
Stage 3	25 November	5
Oral presentation	2, 4, 9, and 11 December	
<u>Individual Project II</u>		20
Article approval	18 September	--
Paper	7 October	20
<u>Group Project</u>		30
Project approval	18 September	--
Class note	2 days before oral	25
Oral presentation	28 and 30 October November	5
<u>Participation</u>		15
Group participation		5
Class Participation		10

Note: Students with disabilities who may need academic accommodations should discuss options with the professor no later than 4 September.

INDIVIDUAL PROJECT I

The objective of this project is to monitor the foreign exchange conditions, financial market conditions, and macroeconomic conditions of a particular country. You will select a country from the list. The project consists of three stages (due dates appear in parenthesis):

Stage 1:

Produce a maximum 2-page executive summary. It should outline the recent history (last 12 months) for the assigned country's exchange rate and its foreign exchange environment (exchange rate regime, exchange control). It should also provide forecasts of this exchange rate, and the rationale for them, for: (a) 21 October, (b) 18 November, (c) year-end (31 December) 2003, and (d) year-end (31 December) 2004.

Stage 2:

Produce a maximum 2-page executive summary. It should outline the recent history (last 12 months) for the assigned country's financial market conditions (interest rates, stock market) and macroeconomic conditions (output growth, unemployment, inflation, current account), along with an assessment of the overall strength of the country.

Stage 3:

Produce a maximum 2-page executive summary. This summary should provide a critical evaluation of your exchange rate forecasting performance. It should also provide revised forecasts for year-end 2003 and year-end 2004.

Oral Presentation:

You should plan a presentation reviewing the three stages of the project. The presentation must be 10 minutes long, with an additional 2 minutes for questions from the audience.

Preliminary list of countries:

Argentina, Australia, Brazil, Canada, Chile, China, Costa Rica, Egypt, Europe, Finland, Hong Kong, Indonesia, Japan, Mexico, New Zealand, Norway, Peru, Russia, Singapore, South Africa, Taiwan, Thailand, Tunisia, Turkey, United Kingdom, and Venezuela.

INDIVIDUAL PROJECT II

The objective of this project is to write a critique of a current article or editorial taken from the popular press. Good sources for these articles include newspapers such as the *Wall Street Journal* or the *Financial Times* and magazines such as *The Economist* and *Business Week*. Your critique must be based on sound economic arguments. I must approve your choice of article, and a copy of the article must be attached to the critique.

Critique:

The critique must be 3 pages long. It must contain a brief summary and a critical evaluation of the article.

GROUP PROJECT

The objective of this project is to research a particular topic in international finance and open-economy macroeconomics. Your research output will take the form of class notes and an oral presentation: You will teach a full class! The list of topics is provided below. You will also be asked to provide a question on the other topics. The idea is to ensure class participation for every presentation.

Class Notes:

The class notes must be no more than 15 pages long. These notes will be posted on the course page. If required, I will help you find the necessary background readings for the different topics. These readings must appear in a bibliography attached to the class notes.

Questions:

You will have to provide questions on the different topic discussed by your classmates. For this, you will have access to the class notes. These questions will be awarded participation points.

Oral Presentation:

You should plan to teach a class. A 60-minute presentation with an additional 15 minutes for questions from the audience should be sufficient.

Suggested list of topics:

1. Are business cycles propagated across countries?
2. Are poor countries catching up to rich countries?
3. Does capital flow to poor countries?
4. What is the extent of goods market integration?
5. What is the extent of capital market integration?
6. The pros and cons of fixed exchange rate regimes.
7. The pros and cons of capital controls and currency boards.
8. Historical perspectives on the international monetary system.
9. The Mexican Peso crisis.
10. The European Monetary Union and the Euro.
11. The Asian Crisis.

STYLE GUIDE

Critique:

- The introduction should summarize the important ideas of the article and their relevance. Also, it should provide your overall assessment of the article. Finally, it should present the plan of your critique.
- The main body of the critique should provide your detailed evaluation. Highlight the main strength and weaknesses, and be constructive (i.e., suggest improvements). Provide the rationale for your views and suggestions for improvements.
- The conclusion should briefly review the main strength of the paper and your main suggestions.

Executive Summary:

- The executive summary should be concise. Point form is preferable. Only important numbers should appear in the text. A table or graph can provide additional supporting numbers.

Class Notes:

- The introduction should summarize the relevance of the area of research. It should also describe the plan of your presentation.
- The main body should present the material.
- The conclusion should emphasize the important ideas that students should retain.
- The bibliography must be alphabetically ordered and be styled after standard economic journals.