

UNIVERSITY OF COLORADO

Department of Economics

ECON4423: International Finance

Outline Spring 2016

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Office Hours:	MW 11:00 to 12:00
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Course Description

This course reviews selected topics from both international finance and open-economy macroeconomics. From international finance, we will discuss international financial markets and their operations. From open-economy macroeconomics, we will discuss macroeconomic policies and their implications. Obviously, most of our time will be devoted to further our understanding of “exchange rates.”

Here are some stylized facts:

1. Real and nominal exchange rates are highly correlated.
2. Changes in both real and nominal exchange rates are 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 correlated across countries.

Evaluation

The assessment for this class consists of three assignments, two tests, and one final examination. The tests and final are closed notes and closed books. No make-up tests will be given. The schedule and grade distribution is

	Week	Date	Time	Location	%
Assignment 1	7	24 February	13:00	ECON 119	5
Term Test 1	7	26 February	13:00	ECON 119	25
Assignment 2	12	1 April	13:00	ECON 119	5
Term Test 2	13	4 April	13:00	ECON 119	25
Assignment 3	16	29 April	13:00	ECON 119	5
Final Exam	Finals	4 May	16:30-19:00	ECON 119	35

Note: Students who may need academic accommodations should discuss options with the professor no later than 25 January.

Required Text

Feenstra, R. and A. Taylor (2012) *International Macroeconomics*, Second Edition, New York: Worth Publishers.

Intermediate Macro Text

Jones, C. (2011) *Macroeconomics*, Second Edition, New York: W.W. Norton and Co.

Advanced Text

Obstfeld, M. and K. Rogoff (1996) *Foundations of International Macroeconomics*, Cambridge: The MIT Press.

Course Outline

Part 1: Introduction to International Finance

1. Introduction

Feenstra and Taylor: Chapter 1.

Part 2: Exchange Rates

2. The Foreign Exchange Market

Feenstra and Taylor: Chapter 2 and Chapter 11.2.

3. The Monetary Approach in the Long Run

Feenstra and Taylor: Chapter 3 and Chapter 11.1.

4. The Asset Approach in the Short Run

Feenstra and Taylor: Chapter 4.

Part 3: The Balance of Payments

5. Income, Wealth, and the Balance of Payments

Feenstra and Taylor: Chapter 5.

Prereq: Jones Chapter 2.

6. Output, Exchange Rates, and Macroeconomic Policies in the Short Run

Feenstra and Taylor: Chapter 7.

Prereq: Jones Chapters 11 and 12.

7. The Gains from Financial Globalization

Feenstra and Taylor: Chapter 6.

Prereq: Jones Chapters 15 and 16.

Part 4: Policy Issues

8. Fixed versus Floating

Feenstra and Taylor: Chapter 8.

9. Exchange Rate Crises

Feenstra and Taylor: Chapter 9.

University Policies

You should familiarize yourself with the following University of Colorado policies:

1. If you qualify for accommodations because of a disability, please submit to your professor a letter from Disability Services in a timely manner (for exam accommodations provide your letter at least one week prior to the exam) so that your needs can be addressed. Disability Services determines accommodations based on documented disabilities. Contact Disability Services at 303-492-8671 or by e-mail at dsinfo@colorado.edu. If you have a temporary medical condition or injury, see Temporary Medical Conditions: Injuries, Surgeries, and Illnesses guidelines under Quick Links at Disability Services website and discuss your needs with your professor.

2. Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. See full details at

http://www.colorado.edu/policies/fac_relig.html

3. Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, color, culture, religion, creed, politics, veterans status, sexual orientation, gender, gender identity and gender expression, age, disability, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at

<http://www.colorado.edu/policies/classbehavior.html>

http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

4. The University of Colorado Boulder (CU-Boulder) is committed to maintaining a positive learning, working, and living environment. CU-Boulder will not tolerate acts of discrimination or harassment based upon Protected Classes or related retaliation against or by any employee or student. For purposes of this CU-Boulder policy, "Protected Classes" refers to race, color, national origin, sex, pregnancy, age, disability, creed, religion, sexual orientation, gender identity, gender expression, veteran status, political affiliation or political philosophy. Individuals who believe they have been discriminated against should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Student Conduct (OSC) at 303-492-5550. Information about the ODH, the above referenced policies, and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at

<http://hr.colorado.edu/dh/>

5. All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-735-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at

<http://www.colorado.edu/policies/honor.html>

<http://honorcode.colorado.edu>