

ECONOMICS 4423 (001)
INTERNATIONAL FINANCE
FALL 2008

Instructor: Professor Rebecca Neumann
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Class Time and Location: T, Th 3:30-4:45 p.m. / ECON 119
Office Hours: T, Th 1:30-3:00 p.m., and by appointment
WebPage: CULearn site

Course Description:

The purpose of this course is to address the core issues in international finance (otherwise known as open-economy macroeconomics or international macro). This is an exciting time to be studying international finance. The world is becoming increasingly globalized, with the result that the events in one region directly affect those in another. There is also an ongoing debate regarding the “international financial architecture” and the roles of such institutions as the World Bank and the IMF. We will examine these issues (and many more...) in this class.

Attendance:

Should you choose not to attend a lecture, it is your responsibility to get a copy of the class notes from one of your classmates (I do not give out my notes since that would be unfair to those who attend class). Many test questions will cover material not discussed in the textbook.

Course Readings and Requirements:

Course Prerequisites:
Econ 3080

There is one required textbook:

- Robert Feenstra and Alan Taylor, *International Macroeconomics*, 2008, Worth Publishers.

To ensure that the course is of a timely nature, there will also be a number of articles that I will make available to you either in class or via the CULearn website. These additional readings are required for the course and exam questions may cover them.

Grades:

Midterm Exam	40%
Final Exam	60%

Exams:

There will be one midterm exam and one final exam. The examinations will consist of definitions, multiple choice, short-answer questions and longer essays/problems. Exam material will be taken from assigned readings and lectures. The final exam is cumulative.

No makeup exams will be given. If you miss an exam, you will receive a zero. There is one exception to this rule. In the event that you do not take the midterm exam, the weight of the final exam may be increased only if i.) you are ill and can provide proof (a letter from the student health center) or ii.) you have a **prearranged** excused absence from me.

Participation:

To really understand economics, you need to practice the skills and apply the material learned in class. Thus, there will be a number of problems to be completed during the course. It is up to you to complete the problems. They will not be graded, nor will they be collected on a regular basis. These problems will be discussed in class and students may be asked to provide their answers on the board.

Grading Scale:

Your Score	Grade
93% to 100%	A
90% to 92%	A-
87% to 89%	B+
83% to 86%	B
80% to 82%	B-
77% to 79%	C+
73% to 76%	C
70% to 72%	C-
67% to 69%	D+
63% to 66%	D
60% to 62%	D-
Below 59.5%	F

University and Campus Policies

- A. "If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and <http://www.colorado.edu/disabilityservices>"
- B. "Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal 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"
- C. "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, culture, religion, politics, sexual orientation, gender, gender variance, 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> and at <http://www.colorado.edu/studentaffairs/judicialaffairs/code.html> - student code"
- D. "The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs 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://www.colorado.edu/odh>"
- E. "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; 303-725-2273). 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> and at <http://www.colorado.edu/academics/honorcode/>"

COURSE OUTLINE:**(subject to change; see CULearn course website for specific topics/dates as we go)**

Topic	Reading (Problem Set)
I. Introduction to the Global Macroeconomy Week 1 – intro to foreign exchange, balance of payments	Ch. 1
II. Introduction to Exchange Rates and the Foreign Exchange Market Weeks 2, 3 – exchange rates, fx market, interest parity	Ch. 2 (PS 1)
III. Exchange Rates I: the monetary approach (long run) Weeks 4, 5, 6 – purchasing power parity, monetary model of the exchange rate	Ch. 3 (PS 2)
IV. Exchange Rates II: the asset approach (short run) Weeks 7, 8, 9 – interest parity, asset approach to exchange rates, overshooting, trilemma	Ch. 4 (PS 3) Midterm Exam (week 7)
V. National Accounts and the Balance of Payments Weeks 10, 11 – national income accounts, current account, financial account, external wealth	Ch. 5 (PS 4)
VI. The Gains from Financial Globalization Week 12 – consumption smoothing, efficient investment, risk sharing	Ch. 6 (PS 5)
VII. Macroeconomic Policies Week 13 – trade balance, j-curve, stabilization policy, exchange rate choices: fixed versus floating exchange rates	Ch. 7 & 8 (partial) (PS 6)
VIII. Financial Fragility and Financial Crises Week 15 – exchange rate crises, global imbalances, debt default	Ch. 9 & 11 (partial) (PS 7)
IX. The Euro and Eurozone Issues Week 16 – currency areas, history and future of euro	Ch. 10 (PS 8)

Midterm Exam: Thursday, October 9th (week 7)

Semester break: November 24-28 (week 14)

Final Exam: Tuesday, Dec 16th 1:30-4:00 p.m.