

Economics 4423: International Finance

Fall 2018: Course meets 9:30-10:45 AM, Muenzinger E431

Syllabus

Professor: Keith Maskus
 Office: Economics 107
 Office Hours: Tuesdays 3-5 PM; Wednesdays 9-11 AM; and by appointment
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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 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 exceptional period in the history of world economics, making it an exciting time to study international finance. Most of the world is becoming increasingly globalized, despite the pushback from the current US administration, with the result that 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 country’s “current account” imbalance tends to be countercyclical? We will examine these issues, and many more, in this class.

Evaluation methods

There will be 3 assignments, each worth 5% of your grade, 2 midterm exams, each worth 22%, and 1 final examination, worth 31%. 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. The assignments will essentially be problems for you to work out in order to improve your understanding of the material. The midterm exams and final exam will be a mixture of problems and essay questions and will be closed notes and closed books, with no makeup exams given.

I will make use of CU-Clickers in the class. If you don’t yet have a registered CU-clicker remote, please get one from the CU bookstore immediately and register it. The URL to register one is <https://oit.colorado.edu/tutorial/cuclickers-iclicker-remote-registration> The Clicker code for Muenzinger E431 is DD.

Please note that I have a policy to enforce attendance, which will be managed by your answering questions on the Clickers system in class. You may miss up to 3 classes in the term without informing me. Additional missed class time will require a medical certification or other valid

university certification, such as athletic travel. If you miss more than 3 classes without my approval I will assign a zero to that 10% of the grade.

Students who may need academic accommodations for examinations should speak with me before September 13.

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.

You would find it useful to keep up with international economic events by regularly reading a publication such as *The Economist*, *The Wall Street Journal*, *The New York Times*, or *The Financial Times*.

Course Schedule

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

Dates	Topics	Readings
Aug 28	Intro to Global Macroeconomy	F&T, Chapter 1
Aug 30-Sep 4	Exchange Rates & Parity Relations	F&T, Chapter 2
SEP 6	NO CLASS	
Sep 11	Continue Exchange Rates	F&T, Chapter 2
Sep 13-25	The Long-Run Monetary Model and PPP	F&T, Chapter 3

Sep 27-Oct 4	The Short-Run Asset Approach	F&T, Chapter 4
OCT 9	ASSIGNMENT 1 DUE, BEGINNING OF CLASS	
Oct 9-16	Begin National Income & Balance of Payments; Savings & Investment	F&T, Chapter 5 Secs. 1-3
OCT 18	EXAMINATION ONE (COVERS CHS. 1-4)	
Oct 23	Continue National Income & Balance of Payments; Savings & Investment	F&T, Chapter 5 Secs. 4-5 (plus appendix)
Oct 25-30	The Long-Run Budget Constraint and Gains from International Finance	F&T, Chapter 6
Nov 1-15	Macro Policies; IS-LM-FX Model	F&T, Chapter 7
NOV 15	ASSIGNMENT 2 DUE BEGINNING OF CLASS	
NOV 19-23	FALL BREAK	
Nov 27	Begin Alternative Monetary Regimes	F&T, Chapter 8
NOV 29	EXAMINATION 2 (COVERS CHS. 5-7)	
Dec 4	Continue Alternative Monetary Regimes Fixed versus Flexible Rates; IMF	F&T, Chapter 8
Dec 6-13	Exchange-Rate Crises Includes Maskus notes on Eurozone	F&T, Chapter 9
DEC 11	ASSIGNMENT 3 DUE BEGINNING OF CLASS	
DEC 16	FINAL EXAMINATION (COVERS CHS. 5-9) 4:30-7:00 pm, same classroom	

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](http://www.colorado.edu/policies/fac%20relig.html)

3. Students and faculty 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, veteran 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 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](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student%20code)

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>