

INTERNATIONAL MACROECONOMICS

TTh 3:30-5:20

MEB 242

Instructor: Michelle Turnovsky (mturn@uw.edu) Savery 354

Office Hours: TBA
By appointment (additional hours posted before exams)

Course Web Page: Check regularly for announcement at
<http://www.econ.washington.edu/instruction/courses/classpage.asp?class=3923>

Course Overview:

The material studied in this course concentrates primarily on international macroeconomics although some basic international finance will also be covered. *A good background in intermediate macro (Econ 301) is essential for understanding the various open economy models presented in the course.* The basic issues that will be investigated are the following: we will try to figure out the impact of international transactions on the main macroeconomic variables, e.g., output, price level, interest rates, etc. in an open economy; we will want to find out how effective fiscal and monetary policies are in an open economy; and finally how exchange rate arrangements, fixed or flexible will affect macroeconomic policy.

The course will have the following sequence. First, the balance of payments and the foreign exchange market are presented. Then the international monetary arrangements are studied. The rest of the course covers the various open economy models; the Keynesian model, the monetary approach, and the Mundell-Fleming model.

Textbook: International Macroeconomics: Eicher, Mutti, and Turnovsky 7th ed. Routledge

Course Outline:

- 12 Balance of payment – exchange rates
- 13 Fundamentals of exchange rate systems
- 14 A simple model of the small open economy
- 15 Extensions of the basic open economy model
- 16 International capital markets
- 17 Modeling international capital markets
- 18 The Mundell-Fleming model under fixed exchange rates
- 19 The Mundell-Fleming model under flexible exchange rates
- 20 The long run: PPP and dynamics
- 21 History of the international monetary system
- 22 The European monetary integration
- 23 Financial crises

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COURSE REQUIREMENTS

NOTE: All the material you need to download from the course web page is protected and restricted to the students registered in the class. You will be given the relevant information in order to open and download the files during the first day of class.

READINGS: In addition to the textbook chapters, further compulsory readings will be assigned. They can be downloaded from the protected course web page. You are also advised to read the Economist or the Financial Times where current issues in international trade and finance are analyzed as they occur.

ASSIGNMENTS: There will be 4 to 5 assignments during the quarter (the questions will be assigned one week ahead). Completed assignments must be turned in at the beginning of class.

REVIEW PROBLEMS: Review problems (RP) are assigned before an exam and explained in the class just prior to the exam. RP are not handed in by the students nor are they corrected.

EXAMS: The 2 exams and the 2 quizzes will consist in short answer questions, problems, analytical questions, and short essay questions on the readings.

GRADE: The following weighting will be applied:

Assignments:	10%
Exams and quizzes:	90%

REMARK: If you have any difficulty with the material or any problem, feel free to see your instructor during office hours or by appointment as soon as possible because the material covered in this course becomes more complex overtime and is based on your overall understanding from week to week. It is thus essential to do the reading assigned in the textbook on a regular basis and to work out the practice problems.

PREREQUISITES: Econ 300 and 301 (intermediate Micro and Macro) or consent of the instructor. **A strong background in macroeconomic theory at the intermediate level is essential.** You do not need to have taken International Trade (Econ 471) as a background for this course.

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CLASS POLICIES

Examination rules

I Exam Absence Policy

1. If you are unable to make it to an exam period **due to illness or another serious unexpected happening**, do the following:
 - i. Contact your instructor **the same day** to notify him/her that you are not able to take the exam and why.
 - ii. If you missed the exam for *health reasons*, you need to show **as soon as possible** to your instructor a valid medical note issued by a medical professional, on the original exam date. There is no flexibility on this matter. The arrangement for making up the missing credits may vary from instructor to instructor (make-up exam etc.).
 - iii. If there was *some other reason* for missing the exam (car accident, meteor shower etc.) come and see your instructor to explain these reasons – you will need to show proper valid documentation. Not waking up or missing your bus/plane is **not** an acceptable excuse.
2. If you know that you are going to be away **due to an university related activity** (e.g. sport, debate), let your instructor know well in advance (preferably in the first week of the quarter) so that arrangements for make up can be made upon presentation of proper valid documentation.

II Exam Taking Rules

1. Material allowed during a closed book exam.
 - i. All books, papers, notebooks etc. must be placed inside your bag (backpack etc.) and the bag must be securely and fully closed. If you do not have a bag, you must place all your material out of your reach (classroom window sill etc.)

Note that individual instructors may have specific policies (open book exams etc.)

 - ii. Only keep writing tools and **basic calculators** (i.e. simple 4-functions calculators). Graphing calculators or calculators with memories will not be allowed. **Sharing of calculators is not permitted.**
 - iii. **Cellular phones** must be turned off before entering the class and placed in your closed bag (not in your pocket). You are not allowed to use a cellular phone during an exam. Doing so will result in the termination of your exam time (your exam being taken from you at this point). Likewise **i-pads** or **i-pods** (or similar devices) are not allowed. The use of **personal computers** is not allowed during an exam.
 - iv. Baseball caps with visors and any kinds of **headgear** hiding your eyes are not permitted.
2. Attendance and special accommodation
 - i. You are expected **not to leave the room** during the exam except in case of emergency. This includes restroom use; be sure to use the restroom before the beginning of the exam.
 - ii. If you arrive **late** to an exam, you cannot expect to get extra time after the official end of the exam to make up for the missing time at the beginning.
 - iii. If you have a **documented disability**, please show your instructor your documentation from the Office of Disability Resources for Students on the first day of class, so that your instructor can make all the necessary arrangements if you wish to take your exam in a separate place.
3. Academic honesty
 - i. Exams are individual work and **cheating will not be tolerated**. Students must not glance at their neighbors' exams.

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ii. Check the **student handbook** for further information about cheating, plagiarism etc. Cheating of any kind may result in expulsion from the university. The Department of Economics will follow university policy in case of academic dishonesty. These rules complement/supplement the university rules, which are spelled out at

<http://www.washington.edu/uaa/advising/help/academichonesty.php>

Students accused of academic misconduct will be referred for disciplinary action pursuant to the Student Conduct Code and, if found guilty, are subject to sanctions. Sanctions range from a disciplinary warning to academic probation to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses.

Homework Policy

1. Please, write your whole name: **first name first and last name last on the upper right hand corner of the assignment**
2. Write all your answers **ON THE HOMEWORK SHEETS** that you have downloaded – answers on a separate piece of paper will NOT be corrected nor graded.
3. **Staple** all the sheets in the correct order.
4. **DO NOT COPY** the answers from each other – this can easily be detected when the same mistakes appear and the same sentences are written! Indeed you are allowed and even encouraged to work together, but you must part from each other and write you answers alone. Don't forget to show your intermediate calculations.

THE GRADER WILL TAKE POINTS IF YOU DO NOT FOLLOW THE ABOVE RULES. 5 points for each infraction

Thank you and good luck on the next assignment!

**TO ENSURE PROPER UNDERSTANDING OF THE MATERIAL COVERED IN CLASS,
PREREQUISITES MUST BE RESPECTED.**