Syllabus

Course Content: The purpose of this course is to provide an understanding of the main issues in international macroeconomics and to develop a framework for analyzing these issues. Major topics to be covered include the modern foreign exchange market, the short- and long-run determination of exchange rates, the balance of payments, as well as international macroeconomic policy issues such as fixed versus flexible exchange rates.

Lectures, Problem Sets and Exams: You are responsible for all the material and announcements in the lectures. If you miss one, borrow someone’s notes. I will distribute a number of problem sets which allow you to test your familiarity with the course material. The problem sets are also designed to prepare you for the exams. The problem sets will not be graded! There will be one midterm and one final exam. The final exam is cumulative. No makeup exams will be given!

Grading: Your grade will be determined on the basis of the midterm exam (40%), the final exam (50%) and attendance (10%).

Teaching Assistant: There is no TA assigned for this course.

Disability Accommodations: If you need academic accommodations for a disability, you must first contact Ms. Rebecca Marin, Coordinator, Services for Students with Disabilities (214-768-4557) to verify the disability and to establish eligibility for accommodations. Then you should schedule an appointment with the professor to make appropriate arrangements.

Religious Observance: Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence.
Excused Absences for University Extracurricular Activities: Students participating in an officially sanctioned, scheduled University extracurricular activity will be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work.

Learning outcomes:

1. Students will have a precise understanding of key concepts such as exchange rate regime, balance of payment, short-run IS-LM-FX model, purchasing power parity (PPP), covered and uncovered interest parity, default risk premium, country premium, trilemma with fixed exchange rate, and the J-curve.

2. Students will demonstrate the ability to analyze the consequences of international macroeconomic policies on output, inflation, nominal interest rates and the exchange rate using graphical representations.

3. Students will be able to judge the advantages and shortcomings of each exchange rate regime both in the short and the long run.

Key to Success: Here are some strategies that may help you to succeed in this course:

- Come to class as often as possible.
- Keep your lecture notes as complete and accurate as possible. They will be your major source of preparation for the exams.
- After each class, go through your lecture notes and the assigned readings. Make sure you understand them. If you have questions, come and see me during my office hours or make an appointment.
- Do the homework sets carefully! Work them through repeatedly because many exam questions will be modified versions of the problem set questions.

Readings: The textbook for this course is: R. C. Feenstra and A.M. Taylor: International Economics, 1st edition, 2008, hereafter called "FT". Also, there will be additional reading assignments posted on my website.
Course Outline

1. Introduction to International Macroeconomics (FT, Ch. 12)
2. The Foreign Exchange Market (FT, Ch. 13)
3. Determination of Exchange Rates in the Long Run (FT, Ch. 14)
4. Determination of Exchange Rates in the Short Run (FT, Ch. 15)

**Midterm Exam (Wednesday, June 15)**

5. Introduction to the Balance of Payments (FT, Ch. 16)
6. The Gains from Financial Globalization (FT, Ch. 17)
7. Macroeconomic Policies in the Short Run (FT, Ch. 18)
8. Fixed versus Floating Exchange Rates (FT, Ch. 19)
9. Exchange Rate Crisis (FT, Ch. 20)

**Final Exam (Wednesday, June 29)**