

ECON 359 G: International Finance/ Open Economy Macroeconomics

Instructor: **Syed Al-Helal Uddin**

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Department of Economics
College of St. Benedict and St. John's University

E-mail: suddin001@csbsju.edu

Office Hours: 3:30 - 4:30 PM (TWR)

Office: Main (CSB) # 236 (335)

Web: syeduddin.weebly.com

Class Hours: TR 1:00 PM – 2:25 PM.

Class Room: Main # B104

1 Course Description

The course introduces the main concepts and theories of international finance and macroeconomics and illustrates them with applications drawn from the real world. Among the topics to be addressed and analyzed include the balance of payments, exchange rate determination in the short-run and long-run, international macroeconomics policy coordination, economic integration and monetary unification, the international monetary system, and optimum currency areas. Policy issues concerning the U.S. current account deficit, global financial imbalances, the EURO zone, exchange rate regimes, and the international effects on domestic U.S. employment, wages, and economic performance are considered.

2 Course Objectives

The goal is to provide students with the concepts and models that will be necessary to explain the basics of monetary policy and the exchange rate determination in the short and long run. There will be an analysis of the different exchange rates systems, the study of the causes and consequences of the different international financial crisis and the role of international financial institutions, such as the European Central Bank and the International Monetary Fund.

The departmental goals are:

Goal 1: Students of economics will be able to apply economic theory to understand economic issues and policies by:

1. Analyzing interactions between human values and economic policy;
2. Demonstrating a knowledge of and ability to apply appropriate analytical tools

Goal 2: Students of economics will be able to evaluate evidence bearing on those economic issues and policies by:

1. Identifying, locating, and assessing the necessary quantitative and non-quantitative information, facts and arguments; and
2. Employing both quantitative reasoning and computing skills where appropriate.

Goal 3: Students of economics will be able to communicate effectively the results of their economic analysis through:

1. Clear writing, appropriately supported and documented;
2. For majors, polished oral presentations.

3 Prerequisites

ECON 333 and ECON 334 are required for this course. Familiarity and facility with basic algebra and the use of graphs are essential. Elementary calculus will be used throughout the course. I will presume that you can work with both word processing and spreadsheet programs (e.g. Microsoft Word and Excel).

4 Required Readings

- **Textbook:** *International Finance/Economics* by Krugman, Obstfeld and Melitz, 11th Edition.

The textbook is required for this course and is available at the University Bookstore. Another textbook similar to our course content is [International Macroeconomics by Robert Feenstra and Alan Taylor](#). You can also take a look on this book (draft version) in [International Macroeconomics by Schmitt-Grohe, Uribe, and Woodford](#).

Newspaper: You are expected to read economics and business related periodicals for developing your understanding on the U.S. and global macroeconomics. You can login Wall Street Journal, NYTimes, and The Economist, check with the library for doing so.

1. [The Economist](#)
2. [The Wall Street Journal](#)
3. [The New York Times](#)

5 Grading Policy

This course uses a variety of assignments and assessments designed to help you learn and practice the course concepts. While attending lecture are very important, the time and effort you put in outside of lecture are equally important to your learning.

1. **Exams (30%):** We will have three non-cumulative in-class exams. Attendance at both the midterm and final exam is mandatory, and no make-up exams will be offered.
 - **Midterm # 1 (15%):** 02/19/2019
 - **Final Exam (15 %):** 05/10/2019
2. **Homework (30%):** We will have 4 homework, but I will count the best 3. For each home works you will be given one week as due date. You can submit the homework in group or individually, but # of group members should be 3 or less.

HW # 1: 01/31
 HW # 2: 02/12
 HW # 3: 03/12
 HW # 4: 04/02
3. **Class Participation & Peer Review (10 %):** These points are coming from in class discussion and participation.
4. **Term Paper (30 %):** You are free to choose any topic as long as its covering under international economics.
 - **Title with short description (250-300 words) (2 %):** 02/07
 - Literature Review (5 %): 03/14
 - Data Analysis (5 %): 04/04
 - Draft Paper (5 %): 04/16
 - **Final Paper (10 %):** 05/02
 - Presentation (3 %): 04/23, 04/30, 05/02

Term Paper Guideline

The research paper will consist of 10-15 pages, double spaces, 12pt, and Times New Roman font. Note that page restriction includes title & reference pages, however you can add appendix if you require that.

- (a) Introduction: motivation and research question [Give some explanation why you become interested on this topic. clearly mention the research question and hypothesis that you are going to address in this paper.]
- (b) Literature review [Read at least 6/7 peer reviewed published papers]
- (c) Data and Methodology [Mention your data sources and methodology to answer the research question]
- (d) Discussion, extensions, and conclusions
- (e) References

Letter Grade Distribution:

Letter Grade	Interpretation	Honor Point	Total Number
A	Excellent	4.0	91.5 and above
AB		3.5	84.5-91.49
B	Good	3.0	80.5-84.49
BC		2.5	74.5-80.49
C	Satisfactory	2.0	70.5-74.49
CD		1.5	65.5-70.49
D	Minimum Passing	1.0	60.5-65.49
F		0.0	60.49 and below

6 Other Policies

Classroom Etiquette

Learning in the classroom is desirable. However, some behaviors can be distracting and degrade the ability of others to learn and teach. For example, using laptops, tablets, and cell phones. Therefore, please do not use electronic devices of any kind during class unless you are instructed to do so.

Please show respect to your fellow classmates. Inappropriate behavior in classroom will be reported to school authority. If you need to leave the class urgently, go as silently as possible. If you cannot come to the class, let me know in advance.

Important Dates

Please follow the university calendar for any specific date. You can find the fall calendar in [here](#).

Class Cancellation

I may need to cancel class during the semester due to emergencies like weather, illness, etc. If class is canceled, I will send you a message through Canvas course page. If you are unsure about any assignments for that day, you should contact the instructor at suddin001@csbsju.edu.

Academic Misconduct

You are all adults & you all know what cheating is. But to reiterate: plagiarism, unauthorized group work, and unauthorized use of notes/text/etc all count as cheating. Any violation of the Honor Code will result in a grade of F for the course and will be reported to the Dean of Students' office. The CSB/SJU code of academic integrity is [here](#):

Disability Resource Center

The colleges have support systems in place for those students with an official diagnosis of a Learning Disability or a Physical Disability. If a student has had a diagnosis for a specific Learning Disability or a Physical Disability, the Office of Academic Advising will notify me and will provide information on current CSB|SJU accommodations. If a student volunteers information regarding a Learning Disability or a Physical Disability I will contact Academic Advising and make appropriate arrangements.

Religious Observance

Accommodations will be made for students who wish to observe their religious holidays. Students should make their requests known at the beginning of the semester - during the first week of classes.

Tentative Topics

This is a tentative schedule for our class lecture. Based on our class progress, I will change the lecture plan (if required) and let you know in class.

Following topics will be covered in this course:

- Chapter 1: Introduction
 - Rodrik, Dani. "How far will international economic integration go?." Journal of Economic Perspectives 14, no. 1 (2000): 177-186.
 - Fischer, Stanley. "Globalization and its challenges." American Economic Review 93, no. 2 (2003): 1-30.
- Chapter 2 (13): National Income Accounting and the Balance of Payments
 1. More Spend, Less Thrift, The Economist, 3 September 2016
 2. Exchange Rate Movements and the U.S. International Balance Sheet, FRBSF ECONOMIC LETTER Number 2004-25, September 10, 2004
- Chapter 3 (14): Exchange Rates and the Foreign Exchange Market: An Asset Approach
 1. International Financial Integration and the Current Account Balance, FRBSF ECONOMIC LETTER, Number 2006-14, June 23, 2006
 2. Currencies Money-changers at Bay, The Economist, 7 February 2015
 3. What the yuan means for American inflation, Economist, Feb 3, 2011
- Chapter 4 (15): Money, Interest Rates, and Exchange Rates
 - Does a fall in the dollar mean higher US consumer prices?, FRBSF Economic Letter, 2004-21
 - The Exchange Rate-Consumer price puzzle, FRBSF Economic Letter, 2006-23
 - Tutino, A. and Zarazaga, C., (2014), Inflation is not always and everywhere a monetary phenomenon, Economic Letter, Vol 9, No 6
 - Does a Fall in the Dollar Mean Higher U.S. Consumer Prices? FRBSF ECONOMIC LETTER, Number 2004-21, August 13, 2004

Exam: Midterm 1 [02/19/2019]

- Chapter 5 (16): Price levels and the Exchange Rate in the long-run
 - The All-Meaty Dollar, Economist, Jan 14th 2017

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- [The Big Mac Index: Global exchange rates, To Go](#); The Economist, 12 Jan, 2017
 - [Is there a new plaza accord?](#) Financial Times
 - George Alessandria and Joseph Kaboski [Why are goods so cheap in some countries?](#), Business Review Q2 2008.
 - Alan M. Taylor and Mark P. Taylor [The Purchasing Power Parity Debate](#); Journal of Economic Perspectives-Volume 18, Number 4-Fall 2004-Pages 135-158
 - Chapter 6 (17): Output and the Exchange Rates in the Short-run
 - Kristin Forbes (2015) [Much ado about something important: How do exchange rate movements affect inflation?](#)
 - Lawrence Christiano, Martin Eichenbaum, and Sergio Rebelo (2011), [When is the government spending multiplier large?](#), Journal of Political Economy, 119
 - [That Eighties Show](#), The Economist, Nov 19th, 2016
 - [The dollar squeeze: The dollar's strength is a problem for the world](#), The Economist, Dec 3rd, 2016
 - Chapter 7 (18): Fixed Exchange Rates and Foreign Exchange Intervention
 - [Fix or Float - A survey of global finance](#), The Economist, Jan 28th, 1999
 - [To Float or Not to Float? Exchange Rate Regimes and Shocks](#), FRBSF Economic Letter, Number 2005-01, January 7, 2005
 - Chapter 9 (20): Financial Globalization: Opportunity and Crisis
 - [Exchange-rate shifts have helped the global economy](#), The Economist, Sep 7th 2017
 - [Dilemma not Trilemma: The global financial cycle and monetary policy independence](#), Helene Rey, 31 August 2013
 - Chapter 11 (22): Developing Countries: Growth, Crisis, and Reform
 - Why doesn't capital flow from rich to poor countries? An empirical investigation,
 - [The Paradox of Capital](#)
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Final Exam [05/10/2019, Time 10:45–12:45]

7 Useful Links

7.1 Some data link

- [International Macroeconomic Data Set](#)
- [IMF WEO database](#)
- [IMF International Financial Statistics](#)
- [OECD stat](#)
- [BEA Data](#)
- [AEA Macro Data](#)
- [World Bank database](#)
- [Database of Global Economic Indicators](#)

7.2 List of Undergraduate Economics Journals

[Berkeley Economic Review](#) | [Comparative Advantage](#) | [The Developing Economist](#) | [Issues in Political Economy](#) | [Opus](#) | [Duke Journal of Economics](#) | [Student Economic Review](#) | [18. Michigan Journal of Economics](#) | [Undergraduate Economic Review \(UER\)](#) | [The Visible Hand](#) | [UCLA Undergraduate Journal of Economics](#) | [Massachusetts Undergraduate Journal of Economics \(MUJE\)](#) | [ECONPress](#) | [Hemispheres: Tufts University Journal of International Affairs](#) | [Columbia Economic Review](#)

Date	Lecture	Topic	Chapter
15-Jan	L 1	Syllabus and Introduction	1 (1)
17-Jan	L 2	National Income Accounting & Balance of Payment	2 (13)
22-Jan	L 3	National Income Accounting & Balance of Payment	2 (13)
24-Jan	L 4	National Income Accounting & Balance of Payment	2 (13)
29-Jan	L 5	ExRate & Forex Market: Asset Approach	3 (14)
31-Jan	L 6		HW 1
5-Feb	L 7		
7-Feb	L 8	Money, Interest Rate & Ex Rate	4 (15)
12-Feb	L 9	Money Supply and Ex Rate (SR)	HW 2
14-Feb	L 10	Inflation and Ex Dynamics	
19-Feb	L 11	Midterm 1	
21-Feb	L 12	Price Level & Ex rate (LR)	5 (16)
26-Feb	L 13	Problem with PPP	
28-Feb	L 14	International Interest Rate	
12-Mar	L 15		HW 3
14-Mar	L 16	Output & Ex Rate	6 (17)
19-Mar	L 17	DD Schedule	
21-Mar	L 18	Shift of Monetary & Fiscal policy	
26-Mar	L 19		
28-Mar	L 20	Fixed Exchange rates	7 (18)
2-Apr	L 21	BOP & Capital Flight	HW 4
4-Apr	L 22	Financial Globalization	9 (20)
9-Apr	L 23	Banking and Financial Fragility	
11-Apr	L 24	International Financial market	
16-Apr	L 25	Developing countries: Growth, crisis	11 (22)
18-Apr	L 26	Developing countries: Borrowing & Debt	
23-Apr	L 27	Gains from openness (If Time permits)	
25-Apr	L 28	presentations [Term Paper]	
30-Apr	L 29	Presentations [Term Paper]	
2-May	L 30	Presentations [Term Paper]	
		Final Exam	