

ECONOMICS 213: International Finance and Macroeconomic Policy

Economics 213 is designed to introduce you to the study of macroeconomics in an open economy. Classes meet on Mondays and Thursdays from 2.50 p.m. - 4.00 p.m. in PNE 239. The strict prerequisites for this course are Economics 101 and Economics 102.

The first half of the class is designed to introduce you to some basic “tools” necessary for studying international macroeconomics, including basic features of foreign exchange markets, the structure of the balance of payments accounts and a model for analyzing macroeconomic policy under fixed and flexible exchange rates. The second half of the semester focuses on practical applications of these tools: studying the evolution of the international financial system, and examining topical issues such as the role of the IMF, the creation of the European Monetary Union and the East Asian economic crisis. By the end of this semester, you will (hopefully) leave with the knowledge and intuition necessary to understand current economic issues and intelligently contribute to current policy debates in international economics.

OFFICE HOURS

Your success in this class is of paramount importance to me; I will be available for consultation more often than not. Office hours and contact information are as follows:

E-Mail : aweerapana@wellesley.edu (Prompt responses to questions sent at a reasonable hour)

Office : PNE 417 (Phone: x2300)

Office Hours : Mon-Thu 9.30-10.30 am and 1.30 to 2.30 pm, Wednesday 9 am to 11 am, and by appointment.

FC Conference : Copies of problem sets, solution sets etc. can be found on the course conference ECON213-S04 on the First Class system.

TEXTBOOK

The required textbook is Thomas Pugel’s “International Economics”. This book will be a useful reference tool and a supplement to lectures, which are the primary learning tool in this class.

I also strongly recommend that you purchase a copy of Joseph Stiglitz’s “Globalization and its Discontents”, W.W. Norton 2003. The book is available (paperback) at Amazon.com for about \$12. This is a provocative book by a Nobel Prize winning economist whose arguments may resonate with you at the outset of the class. I hope that by the end of the semester you have the tools to do a more critical analysis of the text.

In addition, there will be supplementary readings for almost every lecture (a list will be given to you). You should be inquisitive about the world: read newspapers and the Economist and read these supplementary readings. How much you get out of this class depends a great deal on these readings.

COURSE REQUIREMENTS

Homework [20%]:

- This class will be work intensive. I will assign 6 problem sets over the course of the semester: your best 5 scores on these problem sets will constitute 20% of your grade.
- Problem sets will be handed out during class and should be completed and handed in at the BEGINNING of class on the due date. If you do not do so, you will not get any credit for that problem set. Solutions will be handed out on the due date in class.
- You must bring any grade-related discrepancies to my attention within a week after the graded problem sets are returned to you.
- There will be no extensions granted for ANY reason. If you run into a nightmare week during the semester feel free to skip a problem set. Only the best 5 scores will count.
- You are encouraged, to work on problem sets with classmates but you MUST hand in your own uniquely written up assignment. Problem sets are representative of exams; you will hurt yourself by over-relying on others.

Midterm [25%]: The midterm for this class is a closed-book examination held in class on March 18th. There will not be a makeup exam given unless you contact me during the first week of class about a prior conflict

Final Examination [30%]: The final examination is self-scheduled, comprehensive and will constitute 30% of your grade.

Paper [20%]: You will have to write a 25-30 page paper analyzing an important topic in international finance. You have the freedom to pick a topic of your interest or choose from suggested topics. You must work with 2 partners, of your choice. More details will be forthcoming.

Class Participation [5%]: I will do my best to give informative lectures; in return I expect you to attend class, participate and ask questions, either during class or during office hours when you may feel more comfortable doing so. I reserve the right to reward students who do extremely well on the final and/or show a pattern of sustained improvement throughout the semester.

GRADING

Your course grade will depend on two factors: i) the total number of points you have at the end of the semester and ii) how well your total score compares to the class as a whole. There is no rationing of A grades (nor of C grades!). I will give letter grades on midterms and finals purely for informational purposes; I will average your point scores, not your letter grades at the end of the semester (i.e. someone who scores 55/70 on the midterm may get the same letter grade as someone who scored 58/70. However, the 58/70 will be more advantageous at the end of the semester).

DATE	READINGS	TOPICS
Thursday, Jan. 29th	Pugel Chapter 1	1.Introduction
Monday, Feb. 2nd	Pugel Chapter 16	2.Exchange Rate Basics
Thursday, Feb. 5th	Pugel Chapter 17 [PS 1 Handed Out]	3.The Forward Market
Monday, Feb. 9th	Pugel Chapter 17	4.Interest Rate Parity
Thursday Feb. 12th	Pugel Chapter 19	5.Exchange Rate Regimes
Monday, Feb. 16th	NO CLASS: President's Day	
Thursday, Feb. 19th	Pugel Chapter 15	6.Balance of Payments Accounts
Friday, Feb. 20th <i>Monday Schedule</i>	Pugel Chapter 15 [PS 2 Handed Out]	7.BOP Adjustment
Monday, Feb. 23rd	Pugel Chapter 21	8.The IS Curve and the LM Curve
Thursday, Feb 26th	Pugel Chapter 21 [PS 3 Handed Out]	9.The IS-LM Model
Monday, Mar 1st	Pugel Chapter 21	10.The Open Economy IS-LM Model
Thursday, Mar. 4th	Pugel Chapter 23 [PS 4 Handed Out]	11. Short-Run Macro Policy: Flexible Exchange Rates
Monday, Mar. 8th	Pugel Chapter 22	12.Short-Run Macro Policy: Fixed Exchange Rates
Thursday, Mar. 11th	Pugel Chapter 24	13. Comparing Exchange Rate Regimes
Monday, Mar. 15th	Pugel Chapter 19	14. The Evolution of The International Financial System
Thursday, Mar. 18th	MIDTERM EXAM	
Monday, Mar. 22nd	NO CLASS: Spring Break	
Thursday, Mar. 25th	NO CLASS: Spring Break	
Monday, Mar. 29th	Pugel Chapter 20	15. The ERM Crisis of 1992
Thursday, Apr. 1st	Pugel Chapter 24 [PS 5 Handed Out]	16. European Monetary Union
Monday, Apr. 5th	Pugel Chapter 24	17. Optimal Currency Areas
Thursday, Apr. 8th	Pugel Chapter 20 [PS 6 Handed Out]	18. International Capital Flows
Monday, Apr. 12th	Pugel Chapter 20	19. Currency Crises I: The Debt Crisis and The Mexican Crisis
Thursday, Apr. 15th	Pugel Chapter 20	20. Currency Crises II: The East Asian Crisis
Monday, Apr. 19th	NO CLASS: Patriot's Day	
Thursday, Apr. 22nd	Pugel Chapter 20	21. Currency Crises III: Brazil,Russia
Monday, Apr. 26th	Pugel Chapter 20	22. Currency Crises IV: Ecuador, Argentina
Thursday, Apr. 29th		23. The IMF
Monday, May. 3rd		24. Reforming the International Financial Architecture
Thursday, May. 6th		25. Wrapup