Goals: This course deals with economic activity in an open economy. We begin with basic concepts, including the balance of payments, exchange rates, and capital flows. We then examine the impact of government policies in open economies. We also study currency and financial crises.

One of the goals of the course is to learn how to read research papers. We will read recently published papers and working papers and discuss how their authors present their evidence.

Prerequisites: The prerequisites for the course are ECON 202 and 203. It will not be possible to take either of these courses concurrently with this course, as the theoretical models and empirical analyses we will discuss require familiarity with the material taught in ECON 202 and 203.

Meetings: The class meets on Tuesdays and Fridays at 8:30 a.m. - 9:45 a.m. and on Wednesdays at 8:30 p.m. - 9:20 a.m. in Room 339 PNE.

Readings: The main text for the course is:


The additional readings are posted on the course site.

Requirements: The course grade will be determined by the results of two exams (25% each), five problem sets (35%), and a joint paper presentation (15%).

Class Conference: There is a Sakai site that we will use to post announcements, answer questions, etc. All class notes, problem sets, and exams are the intellectual property of instructor and should not be given or forwarded to any other party without prior consent.

Office Hours: Wednesdays and Thursdays from 2:00 – 3:30 and by appointment.

Classroom Environment: We meet in the classroom to collectively learn the material. Do not send text messages or e-mails, or check your messages. Please refrain from leaving the room unless necessary.

Honor Code: Members of the course are expected to adhere to the College’s Honor Code. You are allowed to work on problem sets with classmates, but you must hand in your own written assignment. Problem sets are a key component of exam preparation.
**Disability:** If you have a disability or condition, either long-term or temporary, and need reasonable academic adjustments in this course, please contact Accessibility and Disability Resources (ADR) to get a letter outlining your accommodation needs, and submit that letter to me. You should request accommodations as early as possible in the semester, or before the semester begins, since some situations can require significant time for review and accommodation design. If you need immediate accommodations, please arrange to meet with me as soon as possible. If you are unsure but suspect you may have an undocumented need for accommodations, you are encouraged to contact (ADR). They can provide assistance including screening and referral for assessments.

Disability Services can be reached at accessibility@wellesley.edu, at 781-283-2434, by scheduling an appointment online at their website, [https://www.wellesley.edu/adr](https://www.wellesley.edu/adr) or by visiting their offices on the 3rd floor of Clapp Library, rooms 316 and 315.

**READINGS**

I. Concepts and Relationships

Sept. 3: Balance of Payments

Pilbeam, Ch. 2.1-2.10
Handout #1

Sept. 4: Review

Sept. 6: Exchange Rate Markets

Pilbeam, Ch. 1.1-1.3, 1.6-1.7

Sept. 10: Fixed Exchange Rates

Sept. 11: Review

Pilbeam, Ch. 1.8
Handouts #2, #3

II. Exchange Rate Models and Regimes

Sept. 13: Purchasing Power Parity/Real Exchange Rates

Pilbeam, Ch. 6
*The Economist*, “Pick of the Menu”, 1/12/2019
Sept. 17: Monetarist Model

Pilbeam, Chs. 7.4, 9.7-9.9
Handout #4

Sept. 18: Review

**Sept. 20: Problem Set #1**

Sept. 20: Fixed vs. Flexible Rates

Pilbeam, Ch. 10.1-10.3, 10.11, Box 4.1 (p. 92-93)
Handout #5

*The Economist*, “Why Countries like Argentina and Turkey Fret”, 6/21/2018
*The Economist*, “Two Out of Three Ain’t Bad”, 8/27/2016
Yu, “China Confronts the Mundell-Fleming Trilemma”, *Project Syndicate*, 2/26/2018

Sept. 24: Research Paper Presentation #1


Sept. 25: Review

Sept. 27: Monetary Unions

Pilbeam, Ch. 16.11-16.13, 16.20, 16.23-16.24, 16.31-16.33
*The Economist*, “The Euro Enters Its Third Decade in Need of Reform”, 1/5/2019
Mody, “On The Euro’s 20th birthday, Draghi’s Tribute Perpetuates Long-Refuted Myths”, 1/25/2019

III. International Capital

Oct. 1: Capital Flows

Pilbeam, Ch. 15.5
Handout #6
Oct. 2: Review

**Oct. 4: Problem Set #2**

Oct. 4: Research Paper Presentation #2

Eichengreen, “The Open-Economy Trilemma in the Long-Run”, *Korean Economic Review*, 2018

Oct. 8: Capital Controls

*The Economist*, “Just in Case,” 10/12/2013

Oct. 9: Review

Oct. 11: Interest Rate Parity

Pilbeam, Chs. 1.9, 7.2, 9.1-9.5

**Oct. 15:** Fall Break

**Oct. 16:** Problem Set #3

Oct. 16: Review Class

**Oct. 18:** Mid-Term Exam (I – III)

IV. Macroeconomic Policies

Oct. 22: IS/LM/BP

Pilbeam, Ch. 4.3-4.7

Oct. 23: Review

Oct. 25: Macro Policies

Pilbeam, Ch. 4.8, 4.10-4.11
Handout #7

**Oct. 29: Tanner Conference**
Oct. 30: Review

Nov. 1: External Shocks
Pilbeam, Ch. 4.12

Nov. 5: Research Paper Presentation #3

Nov. 6: Review

**April 18: Problem Set #4**

Nov. 8: Coordination
Pilbeam, Ch. 14.1-14.3, 14.5-14.10
Handout #8

V. Financial Crises

Nov. 12: Crises: 1990s
Wolf, *Fixing Global Finance*, Ch. 3
Joyce, *The IMF and Global Financial Crises*, Ch. 7
Pilbeam, Ch. 17.4-17.12

Handout #8

Nov. 13: Review

Nov. 15: International Monetary Fund
Joyce, *The IMF and Global Financial Crises*, Chs. 2, 3

Nov. 19: Research Paper Presentation #4

Nov. 20: Review
Nov. 22: Crises: 2000s

Wolf, 2010, *Fixing Global Finance*, Ch. 8
Joyce, *The IMF and Global Financial Crises*, Ch. 10
Gourinchas and Obstfeld, “Understanding Past and Present Crises”, *Vox*, 2/2012

Nov. 26: Research Paper Presentation #5

Saravia, “Vulnerability, Crises and Debt Maturity: Do IMF Interventions Increase Reliance on Short-Term Debt?”, *International Finance*, 2013

Dec. 3: “Ten Years of Turmoil”

Dec. 4: Review

Dec. 6: TBA

Dec. 10: Problem Set #5

Final Exam: Self-scheduled (IV – VI)