ADMINISTRATIVE INFORMATION:

Schedule: T/Th 1-2:30
Location: Weill 1230
Instructor: Kathryn Dominguez
Canvas site: https://umich.instructure.com/courses/49208
Office Hours: sign-up online: http://goo.gl/Ku6WK (meetings in Weill 3306)
Email address: kathrynd@umich.edu
Grading: Problem Sets: 25%; Participation: 10%, Group Project 25%; Exam: 40%

COURSE DESCRIPTION:
This course provides an overview of international financial economics, developing analytic tools and concepts that can be used to analyze world economic policy debates. It covers the international implications of macroeconomic policies, international monetary arrangements and institutions, and the causes and consequences of financial crises. There will be heavy emphasis on understanding and using data to study country experiences -- with examples drawn from developing and industrial economies.

The course will be structured around the tools (models) of open economy macroeconomics, using primarily graphs, and occasionally equations. However, motivation for these tools, and examples of their use will always be taken from current and recent real-world macroeconomics events and conditions.

COURSE PREREQUISITES:
PUBPOL555 (Intermediate Microeconomics) or PUBPOL 556 (Intermediate Macroeconomics); or the equivalents, and graduate standing.

COURSE REQUIREMENTS:

Assignments: There are five problem sets which will involve short essays, data collection and analysis, as well as problem solving.

Class Participation: Participation in class discussions of readings and assignments is required.

Group Project: This will be an assessment of the macroeconomic performance and macroeconomic problems in a particular country; more detailed information on the project is available on the course Canvas site. Groups will present their project findings to the class in December.

Exam: There will be an in-class (closed-book and closed-notes) exam. It will cover all the topics discussed up to that point in the course. I will distribute three questions the week before the exam which will consist of one of these questions and one "new" question.

The Ford School website academic expectation page: http://fordschool.umich.edu/academics/expectations describes my expectations for academic integrity, accommodations for students with disabilities, information about mental health services, our inclusivity statement, expectations regarding class attendance and assignments, and Ford School norms for use of technology in the classroom and during office hours.
**COURSE READINGS:** The main required textbook for this class is:


The textbook is available for purchase at local bookstores under our course number. Students may use earlier editions of the textbook (though be aware that chapter numbering may have changed across editions). All required readings (with the exception of the textbook) are available off the web. Assignments, non-textbook readings, and this reading list can be downloaded from our course Canvas site.

In addition to the listed course readings, students are urged to stay up-to-date with current events in international financial markets. Excellent sources include the Financial Times, Wall Street Journal and the Economist as well as numerous blog sites that provide macro and financial news and analysis, examples include:

- [https://blogs.wsj.com/economics/](https://blogs.wsj.com/economics/)
- [https://blogs.imf.org/](https://blogs.imf.org/)
- [http://macroblogger.typepad.com/](http://macroblogger.typepad.com/)
- [http://www.moneyandbanking.com/](http://www.moneyandbanking.com/)
- [http://gregmankiw.blogspot.com/](http://gregmankiw.blogspot.com/)
- [http://voxeu.org/](http://voxeu.org/)
- [http://www.economonitor.com/](http://www.economonitor.com/)
- [http://www.econbrowser.com/](http://www.econbrowser.com/)
- [http://macromarketmusings.blogspot.com/](http://macromarketmusings.blogspot.com/)
- [http://www.forexblog.org/category/central-banks](http://www.forexblog.org/category/central-banks)

Recent listing of “top economics blogs”: [https://www.intelligenteconomist.com/economics-blogs/](https://www.intelligenteconomist.com/economics-blogs/)

**ADDITIONAL COURSE MATERIAL:**

Other textbooks on international economics you may wish to consult are given below:

Students who have had little or no macroeconomic training may want to read/skim the following Fed publication on open-market operations: [http://www.ny.frb.org/aboutthefed/fedpoint/fed32.html](http://www.ny.frb.org/aboutthefed/fedpoint/fed32.html). The Federal Reserve Bank of New York also provides brief notes (termed Fedpoints) on a number of the topics we will cover in class – these are available at the following address: [http://www.ny.frb.org/aboutthefed/fedpoints.html](http://www.ny.frb.org/aboutthefed/fedpoints.html)

**SUPPLEMENTARY (not required) READINGS:**


# PUBPOL542 day-to-day schedule

<table>
<thead>
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<th>Class</th>
<th>Date</th>
<th>Topic</th>
<th>Reading</th>
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<td>9/7</td>
<td>Guest Lecture on Trade: Prof. Deardorff</td>
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<td>3</td>
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<td>The Foreign Exchange Market</td>
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<td>9/28</td>
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<td>Inflation and Exchange Rates</td>
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<td>Purchasing Power Parity</td>
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<td>11</td>
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<td>A Long-Run Model of Exchange Rates</td>
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<td>10/12</td>
<td>Exchange Rates and The Current Account</td>
<td>ch.17*</td>
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<td>10/19</td>
<td>Effects of Monetary and Fiscal Policy</td>
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<td>10/24</td>
<td>Fixed Exchange Rates and Intervention</td>
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<td>Fixed versus Flexible Exchange Rates</td>
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<td>11/14</td>
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<td>25</td>
<td>12/5</td>
<td>Project Presentations 1</td>
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<td>Project</td>
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<tr>
<td>27</td>
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<td>Project Presentations 3</td>
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</table>

All chapters listed under “readings” are in the Krugman, Obstfeld and Melitz textbook. An asterisk * denotes that additional readings for this topic are listed on the next page.
Additional Readings available on our Canvas site to supplement the textbook readings listed on page 3:

Class 1: Introduction

Class 2: Comparative Advantage


“America, China and the Risk of a Trade War,” The Economist, Jan 28, 2017
“Averting a Chinese-American Trade war,” The Economist, March 30, 2017

Class 3 and 4: Accounting Issues – the BOP

“Argentina’s new, honest inflation statistics,” The Economist, May 25, 2017


Podcast: The Invention of ‘The Economy,’ NPR’s Planet Money Episode 521: http://www.npr.org/sections/money/2014/03/05/286366404/episode-521-the-invention-of-the-economy

Class 5: The Foreign Exchange Market


BIS 2016 Triennial Survey: http://www.bis.org/publ/rpfx16.htm


Class 6: International Interest Parity


Class 7: Banks and Monetary Policy

“The History of Central Banks,” The Economist, April 27, 2017


Podcast: The Invention of Money, NPR’s This American Life episode 423, first aired on Jan 7, 2011: http://www.thisamericanlife.org/radio-archives/episode/423/the-invention-of-money

Class 8: Money and Exchange Rates


Class 9: Inflation and Exchange Rates

“Irving Fisher: Out of Keynes’s Shadow,” The Economist, February 12, 2009
“Negative Interest Rates,” The Economist, Nov 28, 2015


Class 10: Purchasing Power Parity


“Measuring the cost of living worldwide,” The Economist, March 21, 2017
“The Big Mac Index,” The Economist, July 13, 2017

Big Mac Index Interactive Currency Comparison Tool: http://www.economist.com/content/big-mac-index
Class 11: A Long-Run Model of Exchange Rates


Class 12: Exchange Rates and the Current Account


“Germany’s current-account surplus is a problem,” The Economist, Feb 11, 2017


Class 13: Effects of Monetary and Fiscal Policy

“Are We All Keynesians Now?” The Economist, Debate March 10-13, 2009
“Central Banks Brave New Words,” The Economist, February 23, 2013
“Stimulus: An Enigmatic Slowdown,” The Economist, October 17, 2014
“Fighting the Next Recession: Unfamiliar Ways Forward,” The Economist, February 20, 2016


Class 14: Fixed Exchange Rates and Central Bank Intervention

“China and Currency Manipulation,” The Economist, March 2, 2017

Class 15: Fixed versus Flexible Exchange Rates


Class 16: International Monetary History


Podcast: The Dollar at The Center of The World, NPR’s Planet Money Episode 553:  
Class 17: Currency Unions

“Fix or Float? (Global Finance Survey, part 6),” The Economist, January 30, 1999
“How to Devalue Without Devaluing,” The Economist, Dec 2, 2010

Class 18: The Euro Experiment/Crisis


Economist Interactive European Economy Guide:
http://www.economist.com/blogs/graphicdetail/2016/02/taking-europe-s-pulse

Podcast: Continental Breakup, NPR’s This American Life episode 455, aired on January 20, 2012:
https://www.thisamericanlife.org/radio-archives/episode/455/continental-breakup

Class 20: International Capital Markets

“Fight or Flight,” The Economist, Jan 16, 2016

Measuring Emerging Market Vulnerability:


Class 21: International Financial Crisis


“What Asia Learned from Its Financial Crisis,” The Economist, July 1, 2017

Podcast: The Giant Pool of Money, NPR's This American Life, aired on May 9, 2008:

Podcast: Credit Crisis, NPR's Planet Money, aired on Feb 19, 2009:

Podcast: A Hedge Fund, A Country, and a Big Sailboat, NPR's Planet Money Episode 689:
Class 22: Developing Country Issues

“Horns of a Trilemma,” The Economist, Aug 31 2013
“Capital Controls: Just in Case,” The Economist, Oct 12 2013

Podcast: When India's Cash Disappeared, Part One, NPR’s Planet Money Episode 770:
http://www.npr.org/sections/money/2017/05/10/527803742/episode-770-when-indias-cash-disappeared-part-one

Podcast: When India's Cash Disappeared, Part Two, NPR’s Planet Money Episode 771:
http://www.npr.org/sections/money/2017/05/12/528181998/episode-771-when-indias-cash-disappeared-part-two