

ECON 4432W - International Finance

University of Minnesota,
Department of Economics
Spring 2019

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Lecture time: Mondays and Wednesdays, 08:15 - 09: 30am
Location: Hanson Hall 1-105

COURSE DESCRIPTION

This course will cover basic concepts, tools, and facts needed to understand the functioning of the global economy and international financial markets. We develop a theoretical framework for the analysis of the determinants of current account deficits, international capital movements, and real as well as nominal exchange rates. We also examine the relationship between interest rates and exchange rates, and discuss various measures of global capital market integration. This framework is then used to discuss relevant policy issues such as the emergence of the U.S. as a foreign debtor, the developing country external debt crises, and balance-of-payment crises.

This is a writing intensive course; you have to write a research paper that studies a topic in international finance. The course grade is directly tied to the quality of your writing, as well as to your knowledge of the subject matter, so that you cannot pass the course without meeting the minimal standards of writing competence. Therefore, one of the main objectives in this course is to give you the necessary background to be able to finish this task.

PREREQUISITES

ECON 3101 and 3102 are required and the material of this class will build directly on these courses. Knowledge of calculus is necessary. You must have the prerequisites completed successfully before taking this course.

COURSE MATERIAL

Primary reference:
Feenstra and Taylor, *International Macroeconomics* 3rd Edition, New York: Worth MacMillan, 2014.

Secondary reference:

Stephanie Schmitt-Grohé, Martin Uribe and Michael Woodford, *International Macroeconomics* (pdf available online on author's webpage)

Readings uploaded on Canvas:

I will upload complementary and other mandatory readings on the course page.

COURSE REQUIREMENTS

The final grade will be based on the writing assignment (30%), homework assignments (20%), a midterm exam (20%), and a final exam (30%).

Homework

All homework assignments will be posted on the course website. Homework assignments can be done in groups of up to three students. Only one problem set needs to be turned in if working in a group. Late assignments will be penalized 10% for each day they are late. A documented family or medical emergency may exempt you from this rule.

Exams

There will be one midterm exam and one final exam. The final exam is cumulative. These are the dates for the exams:

- Midterm: Wednesday, March 6 (in class)
- Final: Friday, May 10 (10:30-12:30 p.m.)

According to University policy, you may request a make-up only if you have:

- Documentation of a family or medical emergency,
- Another test scheduled at the same time, or
- Three exams within a 16-hour period.

If you have any of the last two complications, make sure you talk to me at least two weeks before the exam date. We will arrange a different date for your exam. Written justification for emergencies described in the first point must be provided to me to take the make-up exam. No other reasons are valid in order to have the right to take an exam on a date different from the ones above. Specifically, work is not a valid excuse, so please plan accordingly.

Writing Assignment

The instructions for the writing assignment will be given in a separate document that will be posted on the course website. In order to receive a passing grade for the course, you must receive at least a C- on the writing assignment.

Schedule For Writing Assignment

February 13th, Topic
February 27th, Outline
March 27th, First draft
May 6th, Final draft

GRADING

The final grade for the course will be a weighted average calculated the following way:

Homework: 20%
Writing Assignment: 30%
Midterm: 20%
Final: 30%

The letter grade that will appear in the course will follow the next scale:

The cutoff lines given above are final and are not subject to bargaining. If you disagree with the grading of a problem set or a test, you may submit it for review. You must have a written argument for why you should be awarded more points. Also, you must submit these disputes within one week of the problem set or exam being returned, or the grade is final. I reserve my right to regrade the problem set or exam, as a result of which your grade may be raised or lowered.

Min	Max	Letter Grade
92.00	100.00	A
90.00	91.99	A-
88.00	89.99	B+
82.00	87.99	B
80.00	81.99	B-
78.00	79.99	C+
72.00	77.99	C
70.00	71.99	C-
68.00	69.99	D+
60.00	67.99	D
0.00	59.99	F

COURSE OUTLINE

This course outline should give you a general idea of the topics covered. I will add details along the semester. I will keep a detailed and updated course schedule on Canvas.

- Exchange Rates and the Foreign Exchange Market (Feenstra Chapters 1 and 2)
- The Monetary Approach to Exchange Rates (Feenstra Chapter 3 and Section 11.1)
- The Asset Approach to Exchange Rates (Feenstra Chapter 4 and Section 11.2)
- National Income Accounting and the Balance of Payments (Feenstra Chapter 5)
- Financial Globalization (Feenstra Chapter 6)
- Macroeconomic Policies and the Balance of Payments (Feenstra Chapter 7)
- Exchange Rate Regimes (Feenstra Chapter 8)
- Currency and Debt Crises (Feenstra Chapter 9 and Section 11.4)
- The Euro and other Challenges (Feenstra Chapter 10 and Section 11.3)