

Advanced Macro Theory

ECON 520/004
ECON 520/005

Year2016

Instructor

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Course Description and Objectives

This course will provide an analytical macroeconomic overview of the world economy. It deals first with the interaction between national economies, using national currencies, through the flow of imports and exports and financial capital. Then it analyzes exchange rates, and interest rates, their effects on the national economy, and the flow of financial capital among nations. Finally, it explains the basics of global financial crises, such as the 2008 crisis. By the end of this course, you will have a broad understanding of open economy macroeconomics and international macro finance.

Objectives:

1. To understand how the foreign exchange market, the money market and the goods market are determined in the macroeconomic settings.
2. To understand the effects of international finance on the economic activity level.
3. To understand macroeconomic policy debates.

Course Materials

Textbook: **Textbook:** Paul R. Krugman, Maurice Obstfeld, and Marc Melitz
International Economics: Theory and Policy, 10th Edition, Pearson.

List of Topics and Required and Some Supplementary Readings

1. National Income Accounting and the Balance of Payments,
Chapter 13
Supplementary Reading: Economic Report of the President for
2012, Chapter 5
2. Spot Exchange Rates, Chapter 14
Supplementary Reading: Richard Lyons, The Microstructure Approach to Exchange
Rates. Chapter 1
3. Money, Interest Rates, and the Exchange Rate, Chapter 15

Supplementary Reading: Play Economia, the ECB's monetary policy game
<http://www.ecb.int/ecb/educational/html/index.en.html>

4. Price Levels and the Exchange Rate in the Long Run, Chapter 16
Supplementary Reading: "Return of the Mac," The Economist, June 2012
5. Output and Exchange Rates in the Short Run, Chapter 17
6. How Fixed Exchange Rates Work, Chapter 18
Supplementary Reading: Obstfeld and Rogoff, "The Mirage of Fixed Exchange Rates"
7. A History of the International Monetary System, Chapter 19
Supplementary Reading: The European Central Bank, The Eurosystem
8. Optimum Currency Areas and the Euro Zone Crisis, Chapter 20
Supplementary Reading: Robert Mundell, "A Theory of Optimum Currency Areas,"
American Economic Review 1961
9. Financial Aspects of Globalization, Chapter 21
Supplementary Reading: The IMF's World Economic Outlook, April 2012
10. Emerging Economies and Debt Crises, Chapter 22

Grading and Evaluation

Homework: Voluntarily you can register into My Econ Lab where you will be to practice weekly online homework assignments that use the website <http://www.myeconlab.com/>. These assignments will be due generally on Sunday evening, and they will be based upon the previous week's lectures. They will count for 10% of your grade. Please register for MyEconLab.

Grading and Exams: You will have one midterm exams and a final. The dates for the midterm and the final will be announced on the first day of classes. Your grade will be determined as follows: first midterm 40%; and final 60%.

Attendance Policy

You are expected to attend each class. I expect to be notified by email if you are going to be absent or will miss a significant portion of any one class. Plan on writing up the questions for any class you miss.

Participation

Your class participation grade is weighted heavily in favor of quality over quantity. You will only be prepared to contribute if you have read and thought about the readings for the day. Web surfing and other disruptive class activities will negatively impact your participation grade.

Policy on Laptops and Electronic Devices

- 1) Only laptop computers) may be used while class is in session. During class sessions mobile phones should be closed, disconnected from the network and placed out of view.

Note: The class on Jan 21st may be cancelled.

