

Syllabus
Economics 560: Advanced International Economics
Spring 2016

General information

- **Time and place:** Tuesday and Thursday
Section 001: 9:30AM-10:45AM Gardner 308
Section 002: 12:30PM-1:45PM Gardner 309
- **Instructor:** Anusha Chari
- **E-mail:** achari@unc.edu
- **Phone:** 919-966-5346
- **Office:** 306B Gardner Hall
- **Office hours:** Tuesday 11:00am-12:00pm and by appointment

- **Midterm 1:** Thursday February 11th in class.
- **Midterm 2:** Thursday March 31st in class.
- **Final Exam:** Section 001 (9:30am section): Tuesday, May 3rd, 8:00am-11:00am
Section 002 (12:30pm section): Tuesday May 3rd, 12:00 pm-3:00pm

Course summary and objectives:

International economics is one of the oldest disciplines within economics. International trade deals with the flow of goods and services among countries. International finance, the subject of this course, deals with the flow of capital. Topics covered by this course include: the gains from participating in international financial markets, the operation of the foreign exchange market, the parity conditions linking exchange rates to interest rates and goods prices, the determination of exchange rates and its relationship with other economic variables, alternative exchange rate regimes, international portfolio diversification, cross-border valuation and the management of exchange rate risk. This class will provide you with a framework for thinking about the important issues and controversies surrounding global financial markets.

Text/Readings:

There is NO required textbook. A recommended textbook is below.

Paul R. Krugman, Maurice Obstfeld, and Marc Melitz, *International Finance: Theory and Policy*, 10/E, 2014, ISBN-10: 0133826678 • ISBN-13: 9780133826678.

Other sources to keep up with current events include:

- Financial Times www.ft.com
- Economist www.economist.com
- EconBrowser <http://econbrowser.com>
- RGE monitor <https://www.roubini.com>

Required readings will be posted to Sakai.

The syllabus, problem sets, and additional readings will also be posted on Sakai. All materials on the website should be considered required reading unless otherwise noted.

You should check the website frequently for new updates.

Personal Electronics Policy:

Unless explicitly authorized, you are not permitted to use a laptop computer, tablet computer, smart phone, or cell phone during class.

Course Requirements and Grading

1. Six Homework Problem Sets: (together 12% of your grade: 2% each)

There will be weekly homework review the material covered in the previous week. No credit will be given for a homework problem set that is not turned in during class on the date the homework is due. I will post answers immediately after class.

A tentative schedule of problem set due dates is given in the assignment schedule below. The scheduled problem set dates may be changed if we have not covered the necessary material in class.

2. Paper Requirements (15% of your grade)

There are three parts to this requirement. There are two case studies and a paper on a topic of current interest in the global economy. The two cases are (1) The US Current Account and (2) MSDI-International Valuation. The course materials include case studies, supplemental excel spreadsheets for the data exercise and resources from the media (radio and newspapers).

We will discuss in detail expectations about what the case analysis and write-ups will involve. You will be required to use excel to apply the concepts learned in class using data and to analyze the data to answer the assigned case questions. I will provide you with the website from where the cases can be downloaded. The student write-ups are handed in class in hard copy but spreadsheets with the data analysis can be submitted in Sakai drop box folders. We will discuss your findings in class—class participation is a part of the grade for this assignment.

The third writing assignment will be an essay on a topic of current interest. You will have to listen to a podcast from NPR, read current news articles and analysis and incorporate answers to the questions I provide to organize the paper.

3. Midterms: (each 21.5% of your grade)

The midterm exams will be taken in class, and are closed-book exams. The first midterm exam will be in class on ***Thursday February 11th*** and the second in class on ***Thursday March 31st***. If a midterm must be missed for an officially documented excuse, the final will carry the extra weight.

4. Final exam: (25% of your grade)

The final is cumulative. The final must be taken at the time scheduled by the Registrar's office. The final exam is on ***Tuesday, May 3rd at 8:00 am (Section 001)*** and ***at 12:00 pm (Section 002)***.

5. Attendance (5% of your grade)

Five random attendance checks after the first two weeks of class will be made to count as class participation. Each attendance check is worth 1% of overall grade.

I will communicate any changes to the above requirements via email.

Academic Integrity

All students are expected to adhere to the Honor Code (<http://instrument.unc.edu>). Any violation will result in an F for the course, and other sanctions may apply.

Schedule of Exams/Cases/HW Assignments		
Assignment	Day	Due Date
HW #1	Thursday	January 21 st
HW #2	Thursday	January 28 th
HW #3	Thursday	February 4 th
Midterm #1	Thursday	February 11 th
HW #4	Thursday	February 25 th
Case #1	Thursday	March 3 rd
Spring Break (March 11-March 20)		
HW #5	Thursday	March 24 th
Midterm #2	Thursday	March 31 st
Case #2	Thursday	April 14 th
HW #6	Thursday	April 21 st

Tentative Schedule of Topics

I will attempt to follow the tentative schedule outlined below but reserve the right to change the order of the topics if I determine that this will facilitate student learning.

1. Describe syllabus and introduce the course.
2. National Income Accounting and the Balance of Payments KO-Chapter 12.
3. Exchange Rates and The Foreign Exchange Market KO-Chapter 14.
4. Price Levels and Exchange Rates in the Long Run KO-Chapter 16.
5. Exchange Rates and Interest Rate Parity KO-Chapter 14.
6. Money, Interest Rates & Exchange Rates KO-Chapter 15.
7. Central Bank Interventions.
8. Case Study: The US Current Account Deficit.
9. International Valuation.
10. Case Study: MSDI-Alcala de Henares, Spain.
11. Gains from International Diversification.