Course Outline and Reading List

This course is a one semester upper-level elective designed for undergraduates and masters students. The course develops theoretical frameworks for the analysis of the determinants of international capital movements, trade imbalances, and nominal and real exchange rates. The theoretical frameworks are then used as the basis for the discussion of policy issues such as the emergence of the United States as the largest foreign debtor, the recent European debt crisis, currency unions, debt default, balance-of-payment crises, and the effect of the Great Recession of 2008 on the world economy.

The learning goals for this course are:

1. Understand key economic theories used to analyze international macroeconomic data
   - Models of exchange rate determination
   - Inter-temporal current account models of financial crises
   - IS-LM-FX model of international business cycles

2. Be able to analyze the impact of fiscal, monetary and exchange rate policy in the open economy and their impact on interest rates, prices, the current account and output.

3. Develop skills for analyzing data
   - Understand the recording of international capital flows and the balance of payments
   - Collect, use and interpret economic data to provide a country analysis of international transactions and economic conditions

4. Practice memo-writing and persuasive argument
   - Understand and be able to use the terminology of the international macro economy
   - Display economic data in a meaningful manner, consistent with economic models to interpret country performance

In general, you will learn how to apply economic theory to appraise critically the issues underlying important contemporary policy debates in the United States and elsewhere.
Prerequisites: Economics 80a or an equivalent course in microeconomic theory and Economics 82b or an equivalent course in macroeconomic theory must be completed before enrolling in Economic 161a. It is helpful – but not required – for students to have completed or be taking concurrently Economics 184b, econometrics.

Lectures will be given on Tuesdays and Thursdays from 3:30 to 4:50 PM in Volen 119.

The primary reference for the course is:

*International Macroeconomics* by Robert C. Feenstra and Alan M. Taylor.

Overheads presented during lecture and additional readings will be posted on the course LATTE page.

My contact information is:

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ghall@brandeis.edu  
Sachar International Center, Room 126  
736-2242  
Office Hours: Wednesdays 3-5.

Yovel Krasner will be the teaching fellow for this course. Yovel will grade problems sets and be available to answer questions. Her e-mail address is ykrasner@brandeis.edu.

The home page for this course is available through LATTE. Announcements, problem sets, computer programs, and additional handouts will be posted on this page. You are encouraged to check the web page regularly.

There will be an in-class 80-minute mid-term examination on Thursday, October 25, and a three-hour final examination. The final examination will administered at a time and place scheduled by the Registrar. An early final will NOT be given. All exams will be closed book.

There will be regular written assignments in the course.

- **Individual memos**: Two-page analytical memos which present data and formulate argument.

- **Problem sets**: Problem sets are “batting practice” for the examinations; students can expect that some questions on the examinations will be quite similar to those previously seen on problem sets.

While you are encouraged to discuss these assignments with others, you are expected to do your own work. Resist the temptation to copy someone else’s work. This is worse than useless as it is not only a violation of Brandeis University rules but also will lull you into a false sense that you understand the material.
More generally, you are expected to be honest in all of your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university. Citation and research assistance can be found at LTS.

Laptops are fine for taking notes, but please respect your classmates and instructor by limiting yourself to class-related activities. Though you may be a phenomenal multi-tasker, using a laptop for purposes other than taking notes is distracting to those around you.

Success in this four-credit course is based on the expectation that students will spend a minimum of 9 hours of study time per week in preparation for class (readings, solving problems, discussion sections, preparation for exams, research, etc.).

Letter grades in the course will be determined by the instructors. The weights are: 30% for the mid-term examination; 50% for the final examination; 20% for assignments.

If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see Mr. Hall immediately.

**Reading List**

This is a forecast rather than a plan; we'll update as we go along.

1. Introduction to the Course
   - International Macroeconomics, Chapter 1.

2. Exchange Rates
   (a) Definitions, Measures, Language, Regimes
   - International Macroeconomics, Chapter 2.
   - for more depth
   (b) Long-run or Price-based Models: Theory and Evidence
   - International Macroeconomics, Chapter 3.
3. Balance of Payments and Global Imbalances

(a) Accounting
- International Macroeconomics, Chapter 5.
- Irwin, Neil, “What is the Trade Deficit?” New York Times, June 9, 2018
https://nyti.ms/2M958Pw

(b) Current Account Sustainability
- International Macroeconomics, Chapter 6.
- Obstfeld, Maurice, “Addressing Global Imbalances Requires Cooperation,” IMF Blog, July 24, 2018
- for more depth
  - International Monetary Fund, 2018 External Sector Report: Tackling Global Imbalances amid Rising Trade Tensions

(c) A Theory of Current Account Determination
- International Macroeconomics, Chapter 6.
- Chinn, Minzie, “Are Global Imbalances a Source of Concern?,” Econofact, September 29, 2017,
https://econofact.org/are-global-imbalances-a-source-of-concern

(d) External Adjustment in Large and Small Economies


5. Open Economy Macroeconomics: IS-LM-FX

- International Macroeconomics, Chapter 7.

6. International Institutions and Policies

(a) Exchange Rate Regimes

- International Macroeconomics, Chapter 8.
- for more depth

(b) Exchange Rate Crises

- International Macroeconomics, Chapter 9.

(c) The Euro

- International Macroeconomics, Chapter 10
- for more depth
(d) The Macroeconomics of External Debt

- Gaspar, Vitor and Laura Jaramillo, “Bringing Down High Debt,” *IMF Blog*, April 18, 2018

- for more depth