International Finance (Econ 4423)  
University of Colorado, Spring 2013

Course meets Tuesday and Thursday, 12:30-1:45 pm in Hellems 267

Professor: Bill Craighead  
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Office: Economics 208A  
Office hours: Tuesdays 2:00-3:00; Wednesdays 1:00-2:30 pm; and by appointment

International Finance examines the macroeconomic implications of openness – the ability of countries to borrow from and lend to each other. It is sometimes referred to as open-economy macroeconomics. Important issues include determinants of the value of a country’s money relative to others’ (i.e., exchange rates), the choice of fixed versus floating exchange rates, and international exchange rate and debt crises.

The required textbook for the course is *International Macroeconomics* (2nd ed.) by Robert Feenstra and Alan Taylor (Worth Publishers). The textbook is well-written and provides many interesting illustrations and it will be an excellent complement to class lectures. The course will not closely follow the textbook, however, so reading it will be a poor substitute for class attendance. Other readings will be available via library reserve or Desire2Learn (D2L).

The prerequisite for the course is Econ 3080 (Intermediate Macroeconomic Theory) and, by extension, calculus. The course will assume some familiarity with economic concepts and the lectures, problem sets and exams will make use of algebra and calculus.

Approximately 4-7 problem sets will be assigned during the semester. Students may work together, but must turn in individually separate assignments. Late assignments will not be accepted and no extensions will be granted. Each student’s lowest problem set grade will be dropped from the final grade calculation.

Final grades will be calculated as a weighted average of the grades for problem sets (15%) two in-class midterm exams (25% each) and a comprehensive final exam (35%). Midterm exams will not be given late; in the event of a serious illness, family emergency or university-sponsored travel, students may ask, in advance, for permission to take exams early or to have weight added to the final exam grade in place of the midterm. In the event of a perceived mistake in grading, a written explanation should be attached to the exam and submitted within 5 business days after the exams are returned to the class. The final exam is scheduled for Tuesday, May 7 at 1:30 pm.

The use of computers, mobile telephones and other portable electronic devices – including for text-messaging – is not permitted in class.

Students who qualify for accommodations because of a disability should submit a letter from disability services within the first two weeks of the semester.

Students are expected to cooperate in upholding academic integrity and maintaining an appropriate learning environment by adhering to the University of Colorado, Boulder honor code and classroom behavior policy.

The syllabus and course outline are subject to revisions, which will be announced in class.
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Course Outline and Reading List

“FT” refers to Feenstra and Taylor, *International Macroeconomics*, 2nd ed (Worth)
Readings marked (o) are optional

I. Introduction
   FT ch. 1

II. The Balance of Payments
   a. Balance of Payments Accounting
      FT ch. 6
   b. The Benefits of Financial Globalization
      FT ch. 7
   c. The US Current Account Deficit

III. Foreign Exchange
   a. Introduction to Exchange Rates
      FT ch. 2
   b. The Long-Run: Real Exchange Rates and Purchasing Power Parity
      FT ch. 3.1-3.3, 11.1
   c. The Short-Run: Interest Rates and Exchange Rates
      FT ch. 5, 11.2
d. China’s Foreign Exchange Intervention
J. Stiglitz, “No Time for a Trade War,” Project Syndicate, April 6, 2010

IV. Exchange Rates and Macroeconomic Policy in a Short-Run Model
FT ch. 7

V. Exchange Rate Regimes
FT ch. 8
J. Frankel, “Gold: A Rival to the Dollar,” Jeff Frankel’s Weblog, Nov. 9, 2010
The Economist, “Beyond Bretton Woods 2,” Nov. 6, 2010

VI. Exchange Rate Crises
FT ch. 9, 11.3

VII. Capital Controls and the Costs of Financial Globalization

VIII. The Euro
FT ch. 10